



## FAUJI FINANCE: STOCK IDEA

### WONDERLA HOLIDAYS LIMITED(WHL)

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MAX BUYING PRICE Rs 410

In this heated Indian stock market, there are a few businesses which still look attractive to own. WonderLa Holidays Ltd (WHL) at the current price levels of Rs 400/- might be one. The company came with an IPO of 1.45 crore equity shares of face value Rs10 per share at a premium of Rs115/- In May 2014. The stock listed at Rs 156 and is now at Rs 400/- The IPO allottees have tripled their investment in 2 years. But as Mark Twain is reputed to have said, "History doesn't repeat itself but it often rhymes." The investment returns can be less than or more than what investors have earned in last two years. My estimate is a safe 18-20% CAGR if held for 10 years.

#### Moat

The first thing I look in my stock selection is a moat. Here the first moat is the first mover advantage. It is India's largest amusement park company. And has currently two parks open and running in Bengaluru and Kochi. Third one in Hyderabad is coming up. And next in pipeline is in Chennai.

The second moat is non availability of huge chunks of land within city limits for competitors. Due to land policies, it may not be cheap for the competition to acquire land.

The high fixed cost of infrastructure makes it a barrier for other smaller players. The advantage of WHL is that they have taken very meager debt for the business. In spite of an asset heavy business, the Hyderabad Park is being made through internal accruals and the proceeds of IPO.

The fourth moat is its management. It has experience and is honest. I consider it to be a huge moat. Unethical competitors tend to lose out in the long run both in life and business. Reliance may just be an exception.

#### Management

Kochouseph Chittilappily has promoted the company. He has also promoted V-Guard, the famous brand in voltage stabilizers. His son Arun is running WHL. As promoters of V Guard they have generated 42 % CAGR of share price for share holders since its IPO in 2008. The investment has grown 22 times in 8 years. V Guard was offered at Rs 80 per share in 2008 and today the price is Rs 185/- And stock split from Rs 10 to 1. In simple terms Rs 8000 has become Rs 185400 in 8 years. The implication is that the promoters are share holder friendly, know how to run businesses conservatively with little external debt. They have a simple and conservative balance sheet in V Guard with enough of free cash flow. They intend to replicate the same financials for WHL. They have already demonstrated their intent by earning

similar profits in the last three fiscals in WHL. And in business if you have cracked the code, just copy paste it.

### **Business Prospects**

On an equity of 56 Cr WHL has almost zero debt, just 7.7 Cr debt. The company has been increasing its revenues by 10% every year and its profits have doubled in last 5 years. The company has been a dividend paying company for last 5 years. The company is cash flow positive. And that is the most important consideration for me at faujifinance. Buffett and Munger, look at owners earnings or free cash flows. At faujifinance we look at businesses with moats, having free cash flows, high margins, good management and zero or little debt available at a fair value. WHL is meeting those criterion.

WHL Park substitutes for a movie or an outing. A movie in a multiplex costs Rs 400/- per head for two hours plus. An amusement park ticket with all rides thrown in costs between Rs 600-1000/- The moot question which needs an answer is, Is the Indian traveller or local willing to spend that kind of money. Depends. The same customer spends Rs 4000/- for a day ticket in Singapore, so willingness to spend would depend on quality of the park. For the last three years, TRIPADVISOR in its Top 10 things to do in Bangalore, lists a visit to WHL Park as a must. So far so good.

### **Risk.**

Though, the footfalls have increased at a rate of 5% per year. People who have been once, will not go again. In 2008 the Kochi Park had 8 Lakh footfalls and in 2015 it had 10lakh or so footfalls. But having met some friends who have visited the Kochi WonderLa, I asked them whether they would like to go there again, and the reply I got was, "Go Again? We have already been to the Bangalore Park also and are waiting for the Hyderabad one to open." So, there is a repeat customer potential. Though one individual does not make a sample size, but if one were to rely on trip advisor ratings, there is something which they are doing right to give the customer a WOW!

The company is trying to mitigate the risk by increasing realizations and trying to get weekend spenders in the resort ala Disneyland. So, young couples go to the resort to stay for the weekend packages. And that has clicked. Tourists also are opting to stay at the resort, have fun and relax. Another area targeted is Corporate groups for conventions, meetings and fun.

Bangalore Park has had a steady increase in footfalls as well as revenue. The Value for money food and beverages are another major attraction and income source. The family gets a complete entertainment experience at an affordable price.

Another advantage is, the reverse engineering. They imported the equipment and rides and now 36% of the equipment for new parks is made in house, reducing the costs drastically.

### **What's in it for the intelligent investor?**

As Buffett says, "a great business at a fair price is better than a fair business at a great price." WHL is a great business. The only question is , is it at a fair price? It is slightly over priced. So, either wait for sub

Rs 300 levels , which may or may not come. Or at Rs 400 as I write this, invest 50% of your investible money.

Have a happy Diwali and look at the stock price in 2025.

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