

AUGUST 22, 2016

## CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF ADLABS ENTERTAINMENT LIMITED

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long term Bank Facilities	1015.84 (enhanced from 855)	<b>CARE BBB- (Triple B Minus)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>1015.84</b> <b>(Rs. One thousand and fifteen crore and eighty four lakh only)</b>		

### Rating Rationale

The rating assigned to the bank facilities of Adlabs Entertainment Limited (AEL) continues to derives strength from the resourceful promoters with diversified experience in media and entertainment industry, strategic location of the project with proximity to Mumbai and Pune, theme based rides of international quality standards, steady improvement in footfalls for theme park as well as water park and lower project execution and approvals risk for 'Novotel Imagica' hotel with commencement of operations of Phase I.

The rating is, however, constrained by low profitability due to nascent stage of operations; and high interest cost burden on account of largely debt funded project margins (albeit improvement observed in operating margins in FY16 (Refers to the period April 1 to March 31) due to improving economies of scale). The rating is also constrained by capital intensive nature of operations, seasonality of theme park and water park revenues and its vulnerability to discretionary spending by customers.

AEL's ability to manage its capital structure in the back-drop of its capital intensive nature of operations and future capex plans, its ability to achieve the envisaged growth in footfalls and scale of operations thereby improving profitability metrics as well as timely commencement of the Phase II and Phase III of hotel operations, are the key rating sensitivities.

### Background

Adlabs Entertainment Limited (AEL), promoted by Mr. Manmohan Shetty and his family, owns and operates an amusement park called 'Imagica' - located at Khopoli - Pali road, Khalapur, off the Mumbai - Pune Expressway. The amusement park includes has a Theme Park, a Water Park, a Hotel & now a Snow Park as well.

AEL owns 302 acres of land at Khopoli, and the aforesaid developments are spread over an aggregate area of approximately 132 acres. The surplus land would be utilized for developing a township project by Walkwater Properties Pvt. Ltd, a wholly owned subsidiary of AEL. AEL also owns and operates an array of Food and Beverages (F&B) outlets as well as retail and merchandise shops inside the theme park and water park.

Theme park, having 25 rides and attractions, started part operations in April 2013 and became fully operational on November 1, 2013. Water park, which is located adjacent to the theme park, has 16 kinds of water slides and wave pools and became fully operational on October 1, 2014. This water park has a separate admission ticket and a separate entrance from the theme park. The Novotel Imagica hotel (287 keys) includes facilities such as banquet hall, open hall,

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

conference rooms, specialty restaurants, a gourmet bar, recreation areas, a swimming pool, a spa, a kids' activity centre and a fitness centre and managed by AAPC India Hotel Management Private Limited, a company belonging to the Accor Group. The first phase of Novotel Imagica Khopoli comprises of 116 rooms and was launched in September 2015. For 2015-16 the average occupancy of the hotel stood at a healthy 75% at an average Room ARR of around Rs.6,100. Including the Food and Beverages (F&B) and other revenues the Average revenue per user stood at ~Rs.9,284. Snow Park, built over an area of 30,000 sq. feet commenced operations in April, 2016. The company is also contemplating development of Adventure Park in Imagica through an asset light model wherein the capex and opex would be incurred by Joint Venture partner and AEL would provide land and basic infrastructure and earn a share in revenue. Apart from this, AEL was planning to develop a theme park project in Hyderabad under a joint venture with Royale Luxury Private Limited. However, the project is currently put on hold. The company is instead exploring options of setting up a Theme Park in NCR region; however these plans are as yet at a nascent stage.

AEL reported a total income of Rs.256.94 crore and net loss of Rs.90.71 crore against total income of Rs.191.25 crore and net loss of Rs.107.16 crore in FY15. AEL reported total income of Rs.85.94 crore and net loss of Rs.19.20 crore in Q1FY17 against total income of Rs.80.01 crore and net loss of Rs.15.52 crore in Q1FY16.

**Analyst Contact**

Name: Ashvini Patil

Tel: 022-67543431

Email: [ashvini.patil@careratings.com](mailto:ashvini.patil@careratings.com)

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**CONTACT****Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 919820998779

E-mail: saikat.roy@careratings.com

**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,  
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

**HYDERABAD****Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

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