

## EsselWorld Leisure Private Limited

June 14, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.00	<b>CARE BB+; Negative; Issuer Not Cooperating (Double B Plus; Outlook: Negative)</b>	<b>Based on best available information, Revised from CARE BBB-; Negative (Triple B; Outlook: Negative)</b>
<b>Total Bank Facilities</b>	<b>10.00 (Rs. Ten Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

EsselWorld Leisure Private Limited (ELPL) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE's rating on ELPL's bank facilities will now be denoted as **CARE BB+; Negative, ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision of the rating assigned to bank facilities of EsselWorld Leisure Private Limited (ELPL) is on account of completely washed out FY21, Q1FY22 and material uncertainty in resumption of business operations at amusement parks due to COVID-19 pandemic as the parks are situated near Mumbai. Therefore, ELPL's business risk profile deteriorated significantly in FY21 and similar expectation for FY22. However, in absence of business operations, ELPL's expenditure are met by regular fund infusion from group companies and promoters.

The rating assigned to EsselWorld Leisure Private Limited continues to derive comfort from experienced and resourceful promoter group, its ownership in the well - established amusement parks namely Essel World (EW), Water Kingdom (WK), Bird Park and Tic Tac Tot (new attraction), regular support from group companies and promoters to meet expenditures incurred by ELPL during lockdown and comfortable working capital cycle.

The rating strengths are however tempered by the sequential decline in visitor's count prior to FY21, closure of parks since March, 2020 due to COVID-19, deterioration in debt coverage indicators, washed FY21 due to COVID-19 pandemic including significant cash losses and high project implementation risk regarding the ongoing resort project and intensely competitive and capital-intensive nature of the industry.

### Outlook: Negative

The outlook on the long-term rating of ELPL is 'Negative' on the expectation of adverse impact of the COVID-19 pandemic on the entertainment/leisure industry, including on the operations of the company in the medium-term. The outlook may be revised to 'Stable' if ELPL is able to withstand the business pressures during the pandemic in a more resilient manner and is able to significantly improve its operational performance, including improvement in footfall at parks post COVID-19 pandemic.

### Detailed description of the key rating drivers

*At the time of last rating on April 08, 2021, the following were the rating strengths and weaknesses.*

#### Key Rating Strengths

##### **Established and resourceful promoter group**

ELPL belongs to Essel group led by Mr. Ashok Goel, who has extensive experience and has been closely involved in defining the overall vision and business strategy of the company. He is supported by well experienced management. –Mr. Ashok Goel was also the promoter of Essel Propack Limited, which is one of the global leading specialty packaging manufacturers of laminated tubes, plastic tubes and laminates. In August, 2019, Mr. Ashok Goel has sold his majority holding to Blackstone group for consideration of approx. Rs. 3200 crore and now holds 7.68% in EPL.

##### **Corporate Guarantee extended by Pan India Paryatan Private Limited (PIPPL)**

PIPPL is fully owned by Mr. Ashok Goel and Ms. Kaveeta Goel. The bank facilities availed by ELPL are backed by a Corporate Guarantee extended by PIPPL. Post de-merging the amusement park operations into ELPL, PIPPL does not have any specific business operations or outstanding debt of its own. PIPPL receives interest on loans extended to related parties as well as rent from ELPL for land on which EsselWorld is built.

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

\*Issuer did not cooperate; Based on best available information

***Essel World Bird Park and Tic Tac Tot new attractions are expected to increase footfall***

The company has started a bird park in Borivali, Mumbai which is India's first interactive bird park. The park that is spread over an area of 1.5 acres would have around 400 Aquatic, Flying and Terrestrial birds of more than 50 species. The star birds would be the African Grey Parrot, Blue Gold Macaw, Cockatiel, Rainbow Laureate, Toucan, Chattering Lory, Sun Conure, California Quail, Golden Pheasant, Ostrich, Black Swan, Carolina Wood Duck and Crowned Crane, amongst others. Further this new attraction spread over 10000 sq. feet is an entertainment centre in itself with Restaurant and other facilities generating additional revenue in form of separate entry ticket for the same. The centre houses over 25 games and entry ticket is priced at Rs. 390 per head. The new attraction has commenced commercial operation on March 08, 2020. However, due to COVID-19, these new attractions remained closed during FY20-21.

***Completion of merger with Samrut Trading Private Limited (STPL)***

Incorporated on February 23, 2018, STPL is a group company of ELPL that is engaged in designing and trading of merchandise products. The company is owned by Ashok Goel Trust and promoted by Mr. Ashok Goel and Ms. Kaveeta Goel who have infused an initial capital of Rs.25 crore in the company. During FY19, ELPL had obtained an unsecured loan from STPL amounting to Rs. 24.85 crore for the purpose of meeting its debt repayment obligations. In March, 2020, ELPL has completed its merger with STPL. Post-merger, unsecured loan provided by STPL ceases to exist in the books of ELPL. The shareholders of STPL will receive 1 fully paid share of ELPL for every one share of STPL. Accordingly, the company will issue 2,52,00,000 shares of Rs.10 each to shareholder of STPL. This transaction will increase equity capital of the company and strengthen its capital structure.

***Dependence on group companies for financial support***

ELPL continues to depend on unsecured finance from group companies to support its operations and meet financial obligations. ELPL has issued 50,000 Non-cumulative, convertible and Redeemable Preference shares of Rs.1000 each to Ashok Goel Trust. The Preference shares carries dividend rate of 0.1% p.a. and are redeemable after a period of 20 years from the date of allotment. The company has call option for Redemption/Conversion post expiry of 36 months from the date of allotment. ELPL has also issued 50,000 Optionally Convertible Debenture of Rs.1000 each to Vyoman Tradelink Private Limited. OCDs carries coupon rate of 0.1% and has tenure of maximum 10 years from the date of allotment. In case of OCDs, the company or the investor has call option for redemption of OCDs after expiry of 3 years from the date of allotment with prior notice for redemption. Further, VTPL has infused approx. Rs.25 crore as intercorporate deposits to ELPL to meet its obligations as business activities of ELPL are curtailed.

***Key Rating Weaknesses******Decline trend of visitor in parks till FY20 and washed out FY21***

The amusement parks owned and operated by ELPL have a long operating history and established brand value, with the parks being operational for more than two decades. These parks are one of the largest and oldest in India. The visitors' footfall (driven by school/college vacations, festive seasons, monsoons etc.) remains seasonal in nature with Q1 being a strong quarter due to vacations and Q2 being a slack quarter due to monsoons when compared to other quarters, thereby leading to variation in sales and thus cash flows. On April 1, 2018, ELPL had introduced Pay Per Ride (PPR) model to reduce entry fee and allow customers to choose rides as per their requirement. Currently, entry ticket is priced at Rs. 290 per head. As per the scheme, Rs. 90 is the cover charge while Rs. 200 is redeemable in the park for rides, F&B, merchandising etc. Despite introducing a lower entry ticket price, the customer footfalls continue to witness downtrend in FY20. Further, ELPL witnessed losses at operating level as the parks were closed in the month of March, 2020 due to COVID-19 pandemic. For FY21, ELPL is expecting 0.4 crore revenue as rent from telecom companies for towers on the park. There were no business operations in FY21 as parks continue to remain closed since March, 2020. Resumption in park operations is subjected to clearance from the Government and decision from the management. The management has confirmed their commitment towards continuation of the EsselWorld park business post COVID-19 pandemic and promoters are willing to support its financial and operating obligations, as and when needed.

***Impact of COVID-19 on ELPL***

Following the outbreak of COVID-19 and government's directive to suspend operations in tourism/entertainment related businesses, ELPL has suspended operations in its Essel World and Water Kingdom attractions from March 15, 2020 till further notice from the Government. During this period, the company was supported by fund infusion from group companies of Ashok Goel Trust in form of Preference shares, OCD and Intercorporate deposits. ELPL continues to rely on these unsecured loans to meet its operating and financial obligations on account of no business activities in parks. Till February, 2021, ELPL has received approx. Rs.25 crore from Vyoman Tradelink Private Limited (VTPL), Rs.5 crore as Preference shares issued to Ashok Goel Trust and Rs.5 crore as Optionally Convertible Debenture issued to Vyoman Tradelink Private Limited.

### ***Comfortable capital structure; deterioration in debt coverage indicators***

The financial risk profile of ELPL is characterized by a comfortable gearing driven by absence of term loan from banks. The company has repaid its term loan in January, 2020. As on March 31, 2020, ELPL has total long term debt of Rs. 11.78 crore, consisting of Preference share capital, OCDs and Intercorporate Deposits. However, overall gearing is expected to deteriorate in FY21 as the company has taken intercorporate deposits of approx. Rs.25 crore from VTPL in FY21 to support its operations. Debt coverage indicators also deteriorated significantly as the company witnessed losses in FY20 and FY21. However, the management has indicated that promoters are willing to support financial and operating obligations of ELPL as and when needed. The promoters (Ashok Goel Trust) are resourceful on the back of receipt from share sale of Essel Propack Limited for cash consideration of Rs.3200 crore in August, 2019.

### ***Project implementation risk with regards to ongoing resort***

ELPL is developing a luxury resort adjacent to EW and WK to enhance its services to the tourists visiting these parks. Initially, the project faced time overruns due to pending project clearances. Thereafter, scope of the project has been revised several times since April 2010 leading to cost overruns. Initially, the approval was for construction of 200 rooms but now it proposes to build 220 rooms. By February, 2020, civil work was completed till 6<sup>th</sup> floor. ELPL expects total cost to be approximately at Rs.200 crore. The remaining project cost is expected to be funded through availing a term loan facility. However, no plans are finalised till February, 2021. The continuous delay in the achievement of COD has exposed ELPL to project implementation risk. Execution risk remains high as the management does not have any prior experience in setting up/commissioning resort projects. Hence, timely execution and stabilization of the project remains key rating monitor able.

### ***Capital intensive and long gestation nature of industry; Competition from other amusement parks***

Amusement parks and entertainment industry is capital intensive in nature and involves longer payback period for investment. The industry has high entry barriers, thus limiting competition for similar size of amusement parks and favouring incumbents. Further, the development of industry's growth potential is hampered by different entertainment taxes, disposable income and rise of experience-based economy where people are looking for unique experience and personalization of their leisure time. Following the same, ELPL has introduced number of new attractions and loyalty program to gain stronghold of such trends. The company also faces competition from other amusement parks like Imagicaworld, Yazoo Park, Kidzania and several water parks in and around Mumbai.

### ***Comfortable working capital cycle***

ELPL's operating cycle remains comfortable as the company receives upfront payment for services and lower inventory (F&B, merchandise etc.) which are procured as per demand. However, average working capital utilization remains high at 65% for 12-month period trailing February, 2021 due to fixed costs incurred during COVID-19 lockdown. However, the company has reduced its dependence on bank borrowings in last 3 months (Nov-20 to Feb-21) as the company has received financial support from group companies. As a result, ELPL's average working capital utilization remained low at 4% during this period (Nov-20 to Feb-21).

### **Analytical approach:** Standalone

#### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's policy on Default recognition](#)

[Rating methodology – Manufacturing companies](#)

[Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings](#)

[Financials Ratio - Non-Financial Sector](#)

### **About the Company: EsselWorld Leisure Private Limited**

Incorporated on September 02, 2015, EsselWorld Leisure Private Limited (ELPL) was formed post demerging the business operations relating to the amusement park owned by Essel Group, from Pan India Paryatan Private Limited effective July 27, 2017. The company is a part of the Essel group that is led by Mr. Ashok Goel.

PIPPL owned and operated three facilities which inter alia formed a part of the Amusement Park undertaking pre-demerger:

- Essel World (EW) - Amusement Park
- Water Kingdom (WK) - Theme Water Park
- Downtown Essel World (DEW), Pune – Multi-themed family entertainment Centre (closed w.e.f. December, 2018)

Post demerger, the Amusement park undertaking (including EW, WK and DEW) has been transferred to ELPL for future expansion and effective management of operations. Accordingly, all the assets (excluding land) and liabilities of PIPPL have been transferred to ELPL. PIPPL owns the land.

EsselWorld Park (one of the largest amusement parks in the country) and Water Kingdom (one of the largest theme water parks in Asia) are both located on 64 acres of land. On an average, both the parks together attract about 1 - 1.1 million visitors

on an annual basis. The company has also opened a bird park in Borivali, Mumbai which started its operations from April 2018. ELPL is also developing a luxury resort adjacent to EW and WK to enhance its services to the tourists visiting these parks.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	81.78	61.33
PBILDT	14.77	-1.40
PAT	0.09	-19.88
Overall gearing (times)	0.69	0.39
Interest coverage (times)	3.47	NM

A: Audited, NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

#### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft	-	-	-	6.00	CARE BB+; Negative; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft	-	-	-	4.00	CARE BB+; Negative; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (30-Mar-20)	1)CARE BBB+ (SO); Stable (25-Mar-19) 2)CARE BBB+ (SO); Positive (27-Jun-18)
2.	Fund-based - LT-Bank Overdraft	LT	6.00	CARE BB+; Negative; ISSUER NOT COOPERATING*	1)CARE BBB-; Negative (08-Apr-21)	1)CARE BBB; Negative (02-Sep-20)	1)CARE BBB+ (CWD) (30-Mar-20)	1)CARE BBB+ (SO); Stable (25-Mar-19) 2)CARE BBB+ (SO); Positive (27-Jun-18)
3.	Fund-based - LT-Bank Overdraft	LT	4.00	CARE BB+; Negative; ISSUER NOT COOPERATING*	1)CARE BBB-; Negative (08-Apr-21)	1)CARE BBB; Negative (02-Sep-20)	1)CARE BBB+ (CWD) (30-Mar-20)	1)CARE BBB+ (SO); Stable (25-Mar-19) 2)Provisional CARE BBB+ (SO); Positive (27-Jun-18)

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Overdraft	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**