

MAY 25, 2015

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF ADLABS ENTERTAINMENT LTD

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	855	CARE BBB- (Triple B Minus)	Assigned

Rating Rationale

The rating assigned to the bank facilities of Adlabs Entertainment Limited (AEL) derives strength from the resourceful promoters with diversified experience in media and entertainment industry, strengthening of capital base due to the recent IPO issuance, strategic location of the project with proximity to Mumbai and Pune, theme based rides of international quality standards resulting in encouraging response to the theme park.

The rating is, however, constrained by low profitability margins due to nascent stage of operations and high interest cost burden on account of largely debt funded project. 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 as well as moderate execution and approvals risk for ongoing hotel project.

AEL is expected to utilise the proceeds from IPO issuance for prepayment of upcoming debt repayment obligations for next three years ending FY18 (refers to period April 1 to March 31), which is expected to result in zero principal repayment burden for the next three years. The same is expected to provide some liquidity cushion to AEL's financial profile in the medium term and is a rating sensitivity. Further, AEL's ability to manage its capital structure in the backdrop 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 hotel operations, are the key rating sensitivities.

Background

Adlabs Entertainment Limited (AEL) was formed as a partnership firm, M/s. Dream Park, in May 2009. In February 2010, the firm got converted to a private limited company as Adlabs Entertainment Private Limited which was later in April 2010 converted into a public limited company and the name was changed to Adlabs Entertainment Limited.

AEL, promoted by Mr. Manmohan Shetty and his family, owns and operates a theme park called 'Imagica - The Theme Park' (fully commercialized in November 2013) and a water park called 'Aquamagica' (fully commercialized in October 2014) located at Khopoli - Pali road, Khalapur, off the Mumbai - Pune Expressway. AEL is also developing a hotel called 'Novotel Imagica', the first phase (comprising 116 keys out of a total proposed 287 key hotel) which is expected to be completed by June 2015. The phase II is proposed to be completed by Dec 2015. 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. AEL reported a total income of Rs.107.01 crore and net loss of Rs.52.76 crore in FY14. During H1FY15, AEL reported total income of Rs.73.23 crore and net loss of Rs.53.61 crore

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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