



theme park • water park • snow park • hotel

July 7, 2017

The Manager DCS - CRD BSE Limited Phiroze Jeejeeboy Towers Dalal Street, Fort, Mumbai- 400 001 Fax No.: 22722037/39/41/61/3121/3719 <u>BSE Scrip Code: 539056</u>	The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot no.C/1, G Block, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051 Fax No.: 26598237/38 <u>NSE Scrip Symbol: ADLABS</u>
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Dear Sirs,

Sub.: Intimation of revision in credit ratings

In compliance with Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, we wish to inform you that CARE Ratings Limited ("CARE") and ICRA Limited (ICRA) have informed the following revision in credit ratings for bank facilities of Adlabs Entertainment Limited (the "Company"):

Type of Credit Rating	Existing	Revised
Long term bank facilities	CARE BBB-	CARE D
Long term bank facilities	ICRA BB+	ICRA D

The respective reports from credit rating agencies covering rationale for revision in credit ratings are enclosed. The revised ratings are factoring some delays in interest servicing on the said facilities. The Company had cured the said delays and is working on various revenue growth as well as debt reduction measures. As per norms of rating agencies, the ratings can get revised upon minimum 90 days of cure period.

This is for your information and records.

Thanking you,

Yours faithfully,
For **Adlabs Entertainment Limited**

Madhulika Rawat
Company Secretary
(Membership No: F8765)

Adlabs Entertainment Ltd.

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Corporate Identity Number (CIN): L92490MH2010PLC199925 Website: www.adlabsimagica.com Email: info@adlabsentertainment.com

Adlabs Entertainment Ltd

July 06, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities – Term Loan	1,015.84	CARE D	Revised from CARE BBB- (Triple B Minus)
Total Facilities	1,015.84 (Rs. One thousand and fifteen crore and eighty four lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings reflect on-going delays in servicing of interest on term loans by the company on account of its weakened liquidity position.

Detailed description of the key rating drivers

Key Rating Weaknesses

- Due to the weakened liquidity position, there are on-going delays in servicing of interest by the company. During FY17, the company reported total income of Rs.239.15 crore as compared to Rs.256.94 crore in FY16. Further, during the year ended March 31, 2017, the net loss increased to Rs.117.18 crore as compared to net loss of Rs.90.71 crore in the previous year. The decline in total income and increase net loss was mainly on account of demonetisation announced by the government of India which led to lower footfalls and in turn impacted the total income and net loss of the company.

Analytical approach: Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

About the Company

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, which is 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.

The aforesaid developments are spread over an aggregate area of approximately 132 acres out of the total land parcel of 302 acres at Khopoli. 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	256.94	239.51
PBILDT	44.76	61.36
PAT	-90.71	-117.18
Overall gearing (times)	1.72	2.24
Interest coverage (times)	0.41	0.51

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

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-Term Loan	-	-	June 2024	1015.84	CARE D

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	1015.84	CARE D	-	1)CARE BBB-(22-Aug-16)	1)CARE BBB-(25-May-15)	-

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July 07, 2017

Adlabs Entertainment Limited

Summary of Rated Instruments

Instrument	Amount In Rs. crore	Rating Action
Long-term loans	1,100.0	[ICRA]D; revised from [ICRA]BB+ (stable)

*Instrument Details are provided in Annexure-1

Rating action

ICRA has revised the long-term rating on the Rs. 1,100.0 crore¹ long-term loans of Adlabs Entertainment Limited (“AEL” or “the company”) to [ICRA]D (pronounced ICRA D)² from [ICRA]BB+ (pronounced ICRA double B plus).

Rationale

The rating revision factors in some delays by the company in servicing its debt obligations on account of weak liquidity position. Despite a 53% growth in EBIDTA from Rs 39.8 crore in FY2016 to Rs 60.7 crore in FY2017, the company could not achieve the targeted cash break even.

Key rating drivers

Credit weaknesses

- Recent delays in debt servicing emanating from lower-than-anticipated revenues
- Significant interest costs to keep the cash flows stretched in the medium term, lengthening the breakeven period and requiring further investments or early monetization of assets to fund the losses
- Seasonal nature of demand and any adverse exogenous factors during the peak season could severely impact the operating performance
- Footfalls vulnerable to discretionary spend by consumers, indirectly impacted by the macro-economic conditions and also remains exposed to climatic risks

Description of key rating drivers:

The company’s revenues were notably impacted during November and December 2016, its peak season, on account of the demonetisation exercise by the Government of India which had resulted in a drop in footfalls. This further impacted its liquidity position. Apart from seasonality and adverse exogenous factors, the footfalls remain susceptible to discretionary spend by consumers, indirectly impacted by the macro-economic conditions and also remains exposed to climatic risks. The company’s ability to deleverage itself through land monetisation, achieve higher footfalls at its theme park and water park, together with early launch of the balance 171 rooms shall be crucial for improving its liquidity profile and timely servicing its debt obligations.

Analytical approach: For arriving at the ratings, ICRA has applied its policy for default recognition as indicated below

Links to applicable Criteria

ICRA’s Policy on Default Recognition

¹ Rs. 100 lakh = Rs. 1 crore = Rs. 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications

**About the company:**

Promoted by Mr. Manmohan Shetty and his family, Adlabs Entertainment Limited, has set up an amusement park which is a combination of a theme park, a water park, a snow park and Novotel, a 4-star hotel – all under the ImagicaUmbrella- at Khopoli, spread over an area of 140 acres, with another surplus area of 170 acres. The project was started in April 2011. The theme park commenced partial operations and after a soft launch on April 18, 2013, it commenced full scale operations from November 01, 2013. The water park was commissioned from October 01, 2014, and the first phase of the hotel, comprising 116 rooms, commenced in September-, 2015. The snow park started operating from the first week of April 2016.

As on June 30, 2017, Mr. Manmohan Shetty and his family hold 54.37% stake in the company, with the rest being held by mutual funds / FIIs and public.

Key Financial Indicators (Audited):

	FY2016	FY2017
Operating income (Crores)	252.4	239.0
PAT (Crores)	-103.4	-118.2
OPBDIT/ OI (%)	15.8%	25.4%
RoCE (%)	-2.6%	-2.2%
Total Debt/ TNW (times)	1.7	2.2
Total Debt/ OPBDIT (times)	25.4	17.5
Interest coverage (times)	0.4	0.5
NWC/ OI (%)	37.6%	30.9%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work-in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:
Table:

S No	Name of the instrument	Current Rating (FY2018)			Chronology of rating history for the past 3 years		
		Type	Rated amount (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				Jul-17	Aug-16	-	Feb-15
1	Term loans	Long-term	1100.0	[ICRA]D	[ICRA]BB+ (stable)	-	[ICRA]BB+ (positive)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
Term loan-1	Not available	Not available	Not available	1,100.0	[ICRA]D

Source: Adlabs Entertainment Limited

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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