

July 11, 2019

## Baliga Investment Pvt Ltd: [ICRA]BB(Stable)/A4+ Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund-based-CC	11.50	[ICRA]BB (Stable); Assigned
Long term/Short Term– Unallocated	6.50	[ICRA]BB (Stable)/[ICRA]A4+; Assigned
<b>Total</b>	<b>18.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The assigned ratings factor in GRS Fantasy Park's (GFP) established market position in Mysore, with long standing presence and limited competition in the city. The ratings also take comfort from the healthy operating margins of Baliga Investment Pvt Ltd (BIPL), which has been in the range of 25-30% over the last three years. The ratings favourably factor in the healthy improvement in footfalls and revenues witnessed in April and May 2019, following commencement of operations of the Snow Park.

The ratings are, however, constrained by the company's modest scale of operations, with high dependence on the theme park in Mysore. Revenues and footfalls remain vulnerable to the weather conditions and other exogeneous developments in the city. The ratings are also constrained by the stretched capital structure owing to the company's low net worth base, and the moderate coverage indicators due to high debt levels. This apart, the company will be required to undertake regular capital expenditure for upgrading its facilities or introduce new features to attract the footfalls.

### Outlook: Stable

The Stable outlook reflects ICRA's belief that BIPL will continue to benefit from the established market position of GFP in Mysore, and the experience of its promoters. The outlook may be revised to Positive if a substantial accretion to reserves helps in improving the capital structure or a substantial increase in its footfalls and revenues lead to strong cash accruals. The outlook may be revised to Negative if footfalls or cash accruals are lower than expected, or if any debt-funded capital expenditure weakens its capital structure further.

### Key rating drivers

#### Credit strengths

**Long presence with limited competition and easy accessibility to the park** – BIPL was incorporated in 1985 as an investment company. Later in 1999, it ventured into the amusement park industry with the establishment of GRS Fantasy Park. The promoters of the company have an extensive experience of over two decades in the amusement park industry. The park is situated within the city, giving an easy accessibility to customers. Proximity to the city helps attract crowd from Mysore as well as from neighbouring cities. The company does not face much competition as GFP is the only theme park in Mysore and the capital-intensive nature of business serves as an entry barrier.

**Healthy operating margins** – The operating margins of the company have remained healthy in the range of 25-30% over the last three years. The margins improved to 27.13% in FY2019, driven by an increase in ticket prices.

**Addition of Snow Park to drive the footfall** – In April 2019, the company made an addition to the existing water park in the form of Snow Park. This has attracted a lot of crowd and the footfalls of the company witnessed a YOY growth of 34%

in Q1 FY2020. Going forward, the company's revenues and footfalls are expected to be supported by this addition of the Snow Park.

## Credit challenges

**Small scale of operations with high geographical concentration** – The company's scale of operations has remained comparatively small with an operating income of Rs. 20.24 crore in FY2019. The company is also dependent on a single region or local economy, leading to high geographical concentration risk.

**Seasonal nature of demand and climatic risks** –The revenues are seasonal in nature with Q1 and Q3 contributing majority to its revenues. Footfalls in Q1 are driven by summer vacation and Q3 footfalls are driven by Dussehra and Christmas vacations. However, footfalls and revenues are lean during Q2. Apart from this seasonality, weather conditions and other exogenous factors also impact the footfalls from time to time.

**Stretched capital structure** – The minimal accretion to reserves in the past has impacted the net worth position of the company. As a result, the capital structure has remained stretched over the years. However, healthy net profits in FY2019 has improved the net worth and capital structure to some extent. ICRA also notes that a large portion of the debt is in the form of unsecured loan from promoters or backed by fixed deposits from the promoters. As such, the bank borrowings of the company remain minimal.

**Highly capital intensive industry with regular maintenance requirements**– The park requires continuous inspection and maintenance to ensure safety of the customers. Apart from maintenance, upgradation at a regular interval is also important for growth in footfalls and revenues. Hence, the industry is highly capital intensive and requires regular capex.

## Liquidity position

BIPL reported positive fund flow from operations in FY2019. However, with significant capex towards the construction of snow park, the free cash flows stood negative. In addition to this, the park needs a sizeable capex towards maintenance each year. The working capital limits of Rs. 11.50 crore have remained barely utilised. In the absence of any term loan as on March 31, 2019, the company does not have any repayment obligation. Going forward, the liquidity is expected to be healthy, supported by healthy accruals, available cash balances and undrawn working capital lines.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Auto Component Suppliers</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	The ratings are based on the standalone financial profile of the company

## About the company

Incorporated in 1985, Baliga Investment Pvt Ltd was involved in investing business in Mysore. In 1999, it ventured into the operations of amusement park with establishment of GRS Fantasy Park. The amusement-cum-water park is one of the tourist destinations in Mysore. In FY2019, the company opened a new Snow Park – GRS Snow Park, which is the first of its kind in Mysore. It offers an experience of real ice and snow games. The park along with the Snow Park is built on 28 acres of land with a total of 44 rides (34 wet rides and 10 dry rides). GRS Fantasy Park is positioned as a family entertainment destination.

In FY2019, on provisional basis, the company reported a net profit of Rs. 6.03 crore on an operating income of Rs. 20.24 crore, compared to a net profit of Rs. 0.62 crore on an operating income of Rs. 17.77 crore in the previous year.

## Key financial indicators

	FY2018 (Audited)	FY2019*
Operating Income (Rs. crore)	17.8	20.2
PAT (Rs. crore)	0.6	6.0
OPBDIT/ OI (%)	25.5%	27.1%
RoCE (%)	11.0%	42.3%
Total Debt/ TNW (times)	5.4	2.3
Total Debt/ OPBDIT (times)	4.3	4.1
Interest coverage (times)	2.0	4.9
NWC/OI	-120.4%	-5.5%

\*Provisional financials

## Status of non-cooperation with previous CRA

Acuite in its press release dated February 23, 2019 has moved the rating of Acuite B to issuer not cooperating category. The rating continued to be in issuer not cooperating as per the latest press release dated May 20, 2019. Acuite has arrived at the rating based on the best available information and cautions lenders and investors regarding the use of the information on which the indicative rating is based.

## Any other information: None

## Rating history for last three years

Current Rating (FY2020)					Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs crore)	Date & Rating Jul 2019	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017
1	Fund-based facilities (CC)	11.50	-	[ICRA]BB (Stable)	-	-	-
2	Unallocated	6.50	-	[ICRA]BB (Stable) / [ICRA]A4+	-	-	-

## 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](http://www.icra.in)

### Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	CC	NA	NA	NA	11.50	[ICRA]BB (Stable)
NA	Unallocated	NA	NA	NA	6.50	[ICRA]BB (Stable) / [ICRA]A4+

Source: BIPL

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