Press Release

Golden Peace Infrastructure Private Limited

April 09, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned its long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** to the Rs. 25.00 Cr. bank facilities of Golden Peace Infrastructure Private Limited (GPPL). The outlook is **'Stable'**.

Incorporated in 2012, GPPL operates India's second largest floating casino under the name 'Casino Pride 2'. The casino stands at an area covering more than 30000 sq. ft. and a weather deck of 10000 sq. ft. with an accommodation of more than 400 guests at a time. The casino offers a range of international games including Roulette, Black Jack, Poker, Indian games such as Flush, Mini Flush, Rummy and live gaming experiences as well. Other facilities include a multi-cuisine restaurant and a well-stocked bar on each floor.

The company is a part of the Pride Group which commenced its operations with Hotel Neo Majestic in 2008 and gradually expanded to 4 casinos (2 floating and 2 in-land casinos) and 2 five-star hotels in the state of Goa.

Scheme of Amalgamation

The company has obtained approval from Kolkata high court for amalgamation with Apar Finlease Private Limited (AFPL- Transferor company). AFPL is a Non-Banking Finance Company registered under Section 45-1A of the RBI Act, 1934. All the properties, assets and liabilities of the transferor company immediately before the transfer date shall be transferred to and be vested in the transferee company. Upon transfer being taken place, GPPL shall allot 3 equity shares of Rs. 10/- each (fully paid up) to the shareholders of AFPL for every 4 equity shares of Rs. 10/- each (fully paid up) of GPPL.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management and established brand name**

  Promoted by Mr. Ashok Wadia, Mr. Ashok Kumar, and Mr. Mukesh Gulati, the operations of the casino are largely managed by Mr. Shrinivas Nayak. Apart from operating in the Hotel industry, the promoters have been engaged in various businesses including travel and tourism, advertisement, real estate, manufacturing and export of vehicle spare parts, manufacture and distribution of liquor for almost three decades.

  The company operates India's second largest casino under the brand name of 'Casino Pride 2'. Casino has shown the ability to attract higher footfalls resulting in increase in revenues in FY2018 over FY2017. The revenues of GPPL has increased by ~15 per cent and stood at Rs.71.82 crore in FY2018 as against Rs.62.71 crore in the previous year. Further, the company has registered revenue of Rs. 90.00 crore for 9MFY2019.

  GPPL is planning to undergo a capital expenditure in FY2020 which will increase the accommodation capacity. Acuité believes that the company will continue to benefit from its established brand presence in the state of Goa which is expected to attract higher footfalls.

• **Moderate financial risk profile**

GPPL has moderate financial risk profile marked by tangible net worth of Rs.41.23 crore as on 31 March, 2018 as against Rs.33.36 crore as on 31 March, 2017. The net worth is expected to improve and remain in the range of Rs.100-105 crore on account of creation of capital reserve to the tune of Rs.53.46 crore as part of the scheme of amalgamation of GPPL and AFPL. The gearing levels stood at 1.20 times as on 31 March, 2018 as against 1.48 times as on 31 March, 2017. The debt of Rs.49.36 crore as on 31 March, 2018 is in the form of unsecured loans from its group company- AFPL, which are expected to be settled post the amalgamation. Interest Coverage Ratio (ICR) stood at 35.62 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.30 times as on 31 March, 2018. Net cash accruals stood at Rs.14.61 crore in FY2018. The company is expected to undergo a capital expenditure in FY2020 by replacing its existing vessel with an incremental cost of ~Rs. 58.00 crore which is expected to be funded by way of bank debt to the extent of ~Rs.25.00 crore and balance by way of internal accruals. The additional debt funded capex is not likely to significantly impact the financial risk profile of the company in near to medium term. Any higher-than-expected deterioration in financial risk profile of the company will remain a key rating sensitivity factor.

Weaknesses

• **Regulatory risk**

The gaming business in India is subject to strict laws and regulations, which differ from state to state. Any changes in Government policy can impact the company's business. The Goa government is soon expected to announce a formal casino policy. It is likely to make it mandatory for all offshore casino operators to shift to land within three years. The state will propose to designate as an Entertainment Zone where the casinos are expected to move.

The industry has both demand and supply variability. Demand is largely dependent on the economic cycle and the core business of travel and tourism witnesses decline in periods of economic downturn. A downturn in consumer discretionary spending or macroeconomic factors could result in reduced spending by consumers on gambling and financial trading, resulting in a fall in the expected revenues. Further, the operations of the company are subject to yearly license fees of Rs.30.00 crore which are expected to be increased to Rs.40.00 crore for the new vessel (since the same is based on vessel capacity). Acuité believes that compliance with the applicable laws and regulations will be a key rating sensitivity.

Liquidity

GPPL has adequate liquidity on account of cash business of operations. The unencumbered cash and bank balance stood at Rs.38.25 crore as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy revenues and stable margins.

Outlook: Stable

Acuité believes that GPPL will maintain a 'Stable' outlook over the medium term on account of its established presence. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and deterioration in the financial risk profile owing to higher than expected increase in debt funded capex.

About the Rated Entity – Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	71.82	62.71	59.27
EBITDA	Rs. Cr.	18.96	17.05	17.08
PAT	Rs. Cr.	7.85	6.15	3.91
EBITDA Margin	(%)	26.39	27.19	28.82
PAT Margin	(%)	10.93	9.80	6.59
ROCE	(%)	14.92	12.22	19.47
Total Debt/Tangible Net Worth	Times	1.20	1.48	2.02
PBDIT/Interest	Times	35.62	48.59	12.75
Total Debt/PBDIT	Times	2.50	2.76	2.86
Gross Current Assets (Days)	Days	262	223	188

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Entities in Service Sector - https://www.acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/ Stable (Assigned)

Contacts

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