

Press Release

VGP Marine Kingdom Private Limited

May 06, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 34.00 Cr.
Long Term Rating	ACUITE BB-/ Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.34.00 Cr bank facilities of VGP Marine Kingdom Private Limited (VGPMKPL). The outlook is '**Stable**'.

VGP Marine Kingdom Private Limited (VGPMKPL), was incorporated in February 2012 by the VGP group. VGP group had expanded its amusement park business by venturing into development of aquarium through VGPMKPL. VGP Marine Kingdom is an underwater aquarium in Chennai, constructed on a 1,66,834 square feet land with a total built-up area of 75,098 Sq ft. The commercial operation of the aquarium commenced from April 2019. VGP Marine Kingdom has designed 5 zones, viz Rainforest, Gorge, Mangrove, Coastal and the Deep Ocean each with its characteristic varieties of marine life.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of VGP Groups' operations**

VGPMKPL belongs to VGP group led by V V.G.Santhosam. Mr. Veraputhra Gnanadraviam Panneerdas (VGP) Rajadas, Mr. V.G. Selvaraj, Mr. VGP Ravidas, Mr. VGP Babudas., who have extensive experience over 3 decades and closely involved in day to day business strategy of the company. VGP Group was founded in the year in 1955; the group is present across various verticals such as retailing of Real Estate & Property Development, Retail, amusement parks and beach resorts, Video & Audio Studios. The promoters have been operating VGP Golden Beach as an entertainment park for last 40 years. VGP Golden Beach is one of the first entertainment parks in Chennai with a long history and an established brand. The park has healthy footfall with total visitors being above 11 lakh per year. The group has built the new aquarium in proximity to the existing park which helps in capitalising the park's popularity. Additionally, VGP group is operating VGP Universal Kingdom too, which is an amusement park with over 50 rides and has been operating over last 20 years. Acuité believes that promoters' experience in the entertainment/leisure industry over 3 decades, their strong understanding of market dynamics, business diversification will continue to support the business risk profile over the medium term.

- **Strategic location and universal design of aquarium led to early ramp up of operations**

VGP Marine Kingdom is located in the ECR (East Coast Road) in the premises of VGP Golden Beach. i VGP Golden Beach is strategically located. The location is near to Chennai and is located on the way to Pondicherry. VGPMKPL constructed aquarium in a 166,834 square feet land with a total built-up area will be 75,098 Sft. VGP Marine Kingdom was designed with different zones and consists over 3,500 fish across about 60+ species. It has a Tunnel Aquarium too which is 70 Meters long, providing unique experience for visitors. VGPMKPL's project was implemented in association with Marinescape NZ Limited (MNL) which is operational over 28 years and successfully operates 24 public aquariums around the world. The project cost was Rs.112 Cr; funded through bank debt of Rs 68.70 Cr, Rs 15.75 Cr of supplier's credit, and the remaining through promoters' contribution. VGPMKPL's Commercial operations began in April 2019 and it generated revenue of Rs 28.00 Cr in fiscal 2020 (first full year of operations). Acuité believes that the proximity to the city will help attract higher number of visitors from Tamilnadu and its neighboring cities over the medium term.

Weaknesses

• Above-average financial risk profile

The VGPMKPL has above-average financial risk profile marked by moderate net worth, leveraged capital structure and moderate debt protection matrices. The net worth improved marginally to Rs.29.18 Cr as on 31 March 2020 from Rs.28.59 Cr as on 31 March 2019. Its gearing and TOL/TNW high was at 2.36 times and 2.48 times as of March 31, 2020 against 2.54 times and 2.79 times as on March 31, 2019. Its adjusted gearing was at 2.14 times after unsecured loans of about Rs 6.45 Cr, extended by the promoters treated as quasi-equity. The total debt as on 31 March 2020 mainly comprised of term loans from the banks. The increase in the interest cost coupled with moderate profitability levels resulted in deterioration in the debt protection matrices. The net cash accruals to total debt (NCA/TD) and interest coverage ratio for FY2020 were at 1.89 per cent and 0.12 times. VGPMKPL generated cash accruals of Rs. 8.13 Cr during FY2020, while its maturing debt obligations Rs.2.87 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.8-12 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.8-11 Cr during the same period. Acuité believes that the financial risk profile is expected to remain at the similar levels in the absence of any major debt funded capex in near to medium term.

• Disruption in business operations on account of the pandemic

The spread of Covid-19 across the country has affected the amusement and theme park industry. As a result of the pandemic, all three parks have been closed since mid-March 2020. Impact of continuous lockdown majorly affected the National Recreation industry. The Tamil Nadu Government allowed opening Amusement parks, museum, and conference halls from November 10, 2020. Even after the parks reopened, footfalls remained lower as people avoided huge gatherings and casual outings to comply with social distancing norms. Increase in footfalls will be key monitorables, going forward. It is a highly capital-intensive industry with regular maintenance / up gradation being necessary to ensure safety. Additionally, footfalls is vulnerable to discretionary spend; seasonal nature of demand which in return result in fluctuations of earnings. Acuité believes that business risk profile will remain under pressure on account of slower revival in footfalls post lockdown.

Liquidity Position: Stretched

VGPMKPL's Liquidity is stretched with tightly matching NCAs to its repayment obligations. VGPMKPL generated cash accruals of Rs.8.13 Cr during FY2020, while its maturing debt obligations Rs.2.87 Cr during the same period. The cash accruals of the company are estimated to remain around Rs.8-12 Cr during 2021-23 while their repayment obligations are estimated to be around Rs.8-11 Cr during the same period. The shortfall was expected to meet through Guaranteed Emergency Credit Line (GECL) of Rs.9.00 Cr. Further, the shortfall has been largely supported by the promoters through unsecured loans, and this support is expected to continue in the near to medium term until the business bounces back to pre-covid levels. Acuité expects that less than expected footfalls may lead to significant decline in revenues and cash accruals to meet its annual repayment obligations. Acuité believes that the liquidity of VGPMKPL is likely to remain stretched over the medium term on account of tightly matched cash accruals against its high repayment obligations.

Rating Sensitivities

- Significant improvement in scale of operations, while improving its profitability margins
- Any further large debt funded capital expenditure, impacting the financial risk profile adversely.
- Improvement in financial risk profile; especially capital structure and liquidity
- Able to significantly improve its operational performance, including improvement in footfall at parks post COVID-19 pandemic.
- Timely promoter fund support to meet the repayment obligations

Outlook: Stable

Acuité believes that the VGPMKPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its extensive experience of its promoters and their funding support. The outlook may be revised to 'Positive' in case the company achieves higher-than-expected growth in revenues and improvement in profitability and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or prolonged pressure on the revenues and margins owing to low footfalls or adverse impact of the COVID-19 pandemic on the entertainment/leisure industry.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	28.00	0.28
PAT	Rs. Cr.	0.59	(2.47)
PAT Margin	(%)	2.12	(882.25)
Total Debt/Tangible Net Worth	Times	2.36	2.54
PBDIT/Interest	Times	1.89	(0.35)

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

VGPMKPL has not cooperated with CRISIL Limited which has classified it as non-cooperative vide release dated 27-July-2020. The reason provided by CRISIL is non-furnishing of information for monitoring of ratings.

Any other information

None

Material covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Services Sector Entities - <https://www.acuite.in/view-rating-criteria-50.htm>
- Infrastructure Sector Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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
Term Loan	Feb-2016	Not Available	Dec-2027	20.50	ACUITE BB-/Stable (Assigned)
Term Loan	July- 2018	Not Available	Dec-2027	13.50	ACUITE BB-/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Corporate Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Bhavani Sankar Oruganti Senior Analyst - Rating Operations Tel: 040-40055452 bhavani.sankar.oruganti@acuite.in	

About Acuité Ratings & Research:

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