RATING REPORT

Joyland Limited

REPORT DATE:
February 21, 2018

RATING ANALYSTS:
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RATING DETAILS		
	Entity Ratings	
Rating Category	Long-term	Short – term
Entity	A-	A-2
Rating Outlook	Stable	
Rating Date	*19th Feb 2018*	

COMPANY INFORMATION	
Incorporated in 1980	**External auditors:** Deloitte Yousaf Adil & Co.
Public Limited Company (Unlisted)	**Chairman of the Board:** Mr. Ibrahim Shamsi
Key Shareholders (with stake 5% or more):	**Executive Director:** Mr. Tafweez Ul Vakil
Mr. Ibrahim Shamsi: 98.98%	

APPLICABLE METHODOLOGY
JCR-VIS Entity Rating Criteria: Industrial Corporates (May 2016)
http://www.jcrvis.com.pk/kc-meth.aspx

Joyland Limited

OVERVIEW OF THE INSTITUTION

Joyland Limited (JL) was established in 1980 as a private limited company. Starting its operations, the same year at Fortress Stadium, Lahore. JL is majority held by Mr. Ibrahim Shamsi and Family

Profile of the Chairman

Mr. Ibrahim Shamsi is a second generation entrepreneur and is a LUMS graduate. He holds majority shareholding in different companies and is represented on the board of various well-known companies.

Profile of the Executive Director

Mr. Tafweez Ul Vakil holds a business administration degree from LUMS and has worked in some MNCs operating in Pakistan, and abroad.

Financial Snapshot

Core Equity: FY17: 483m; FY16: 182m; FY15: 63m

Sales: FY17: 425m; FY16: 354.5m; FY15: 232m

Profit After Tax: FY17: 55.6m; FY16: 14.9m ; FY15: 26m

RATING RATIONALE

The ratings assigned to JL take into account its moderate business risk profile. While revenue remains highly sensitive to product / service and price elasticity, JL's experience and expertise in amusement industry along with strategically chosen locations of facilities, largely mitigate the associated risk. Moreover, high business potential given very low penetration of amusement industry is also a key rating factor. The ratings also incorporate adequate financial risk profile emanating from low leveraged capital structure and sound coverages. JL is in the process of expanding operations, which is expected to help in enhancing the topline and margins of the company. However, the ratings remain sensitive to the anticipated benefits from upcoming projects for organic needs of the company and repayment of its financing liabilities in line with the timelines of their projects.

Rating Drivers

Profitability:

JL's flagship amusement park facility currently contributes around two third of overall revenue. Sales have witnessed an increase in FY17 and subsequently mainly on account of higher revenue from flagship park and other locations, food business, consultancy and construction services. Gross margins increased to 26% (FY16: 19.7%) during FY17 mainly on the back of increase in revenue from high margin expanding operations and consultancy services. Net profit stood higher at Rs. 55.6m (FY16: Rs. 14.9m; FY15: 25.6m) in FY17. Higher sales were reported in 1HFY18, mainly attributed to the new projects coming online along with steadily increasing revenue stream from the existing projects. This along with largely stagnant fixed cost resulted in higher gross margins and net profit in 1HFY18. The management expects growth in revenues and stability in margins as the new projects will be coming online shortly.

Liquidity and Cash flows:

Overall, the company maintains adequate liquidity with current ratio reported at 2.4x at end-FY17 (FY16: 0.94x). Excess liquidity is placed in money market mutual funds and stocks. Given that most of the sales are done against cash payments, trade debts of the company usually remain low. Funds from Operations (FFO) remained sufficient on a timeline basis. With virtually no long-term debt, debt coverage has remained robust.

Funding and Capitalization:

Paid-up capital of the company was Rs. 139m at end-FY17. Total equity of the company increased to Rs. 483m (FY16: Rs. 182m) by FY17. In addition to profit retention, the increase in equity was on account of capital injection from sponsors. While the company plans to procure a long-term loan for expansion project, gearing is projected to remain low given further equity injection and continuing retention of profit. With additional cash flows from the upcoming projects, coverages are expected to remain strong.

Corporate Governance and Control Infrastructure:

The company's senior management team comprises experienced resources in the relevant field. The appointment of top tier audit firm mirrors a positive feature in control infrastructure. The company's operations are primarily technology based; the management has embarked upon further automation to ensure smooth operations. The corporate governance framework has room for improvement.

Joyland Limited — Annexure I

Financial Statement

Amount in Million (Rs.)

BALANCE SHEET	Jun-17	Jun-16	Jun-15
Non-Current Assets	469.6	246.03	215.7
Store & spares	10	5.6	3.11
Trade Debts	19.4	1.3	13.5
Cash & Bank Balances	18.33	10.27	11.6
Total Assets	570.67	280.72	262.2
Trade and Other Payables	31.67	29.95	37.7
Short Term Borrowings	Nil	Nil	Nil
Long Term Finances	Nil	1.3	6.6
Core Equity	482.95	181.98	62.8
INCOME STATEMENT	**Jun-17**	**Jun-16**	**Jun-15**
Net Sales	425.03	354.37	232.5
Gross Profit	110.26	69.73	21.6
Operating Profit	45.19	22.06	-11.3
Profit After Tax	56.46	14.93	25.6
FFO	104	91.8	31.9
RATIO ANALYSIS	**Jun-17**	**Jun-16**	**Jun-15**
Gross Margin (%)	26	19.7	9.3
Net Working Capital	58.6	-1.96	-0.97
Debt Servicing Coverage Ratio (x)	103.6	63.3	31.98
ROAA (%)	8.3	5	12.5
ROAE (%)	17	12.2	67
Gearing (x)	0.003	0.4	0.11
Debt Leverage (x)	0.13	0.7	2.68

ISSUE/ISSUER RATING SCALE & DEFINITIONS — Annexure II

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

REGULATORY DISCLOSURES	**Annexure III**				
Name of Rated Entity	Joyland Limited				
Sector	Amusement Parks				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	**Rating Date**	**Medium to Long Term**	**Short Term**	**Rating Outlook**	**Rating Action**
	RATING TYPE: ENTITY				
	19/2/2018	A-	A-2	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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