

Amusement park industry

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22nd May, 2010 INDIAN AMUSEMENT PARKS INDUSTRY Highlights SECTORAL REPORT • The amusement industry in India is at a growing stage currently with more and more developments happening in this industry all across the country. • The size of the Indian Amusement Park business is estimated to be around Rs 4000 crores and is estimated to grow by 10% per cent per annum till 2010. • The amusement and theme park industry is deemed to be worth Rs. 10000 crores in India by 2020. Janaki Rao. U Analyst Equity Research Desk[(mailto:email_protected@com)]com Currently for a population of 1.15 billion in the country, there are only 120 amusement parks and 45 Family Entertainment Centers. This indicates that the growth potential of Indian amusement and theme park industry is substantial. • Global leaders in entertainment parks and attractions like Universal Studios, Disney, Sony and Ripley Entertainment are mulling over investments of billions of dollars in India considering the vast potential in this region.

Private equity funds are also aggressively dedicating resources towards this sector. The Indian small and big players in the Amusement Industry are looking at the tremendous growth potential of this industry in the next 5 years. • Growth of India's retail sector had been the main driving force for the amusement industry in India. • Globally, domestic and international tourists comprise more than 50% of the total footfall at popular amusement parks. • Transport corridors like expressways and the Metro line are bringing an increasing number of people closer to entertainment hubs. The high growth potential of the industry in highly populated India will boost tourism, social infrastructural development as well as employment generation. The success and growth potential of this industry is resulting into the advent of

new manufacturers of amusement parks' rides in India. V. S. R. Sastry Vice President Equity Research Desk 91-22-25276077[(mailto:email_protected@com)]com Dr. V. V. L. N. Sastry Ph. D. Chief Research Officer[(mailto:email_protected@com)]com 1 22nd May, 2010 CONTENTS 1. Sector Overview 2. Current Trends 3. Profile of top three Indian Companies 4. SWOT Analysis 5.

Conclusion 2 22nd May, 2010 1. Sector Overview Structure & Development The amusement and theme park industry in India is about two decades old and it is relatively new when compared to its origin in USA & Europe. This industry found its roots in India during mid and late 1980s when a few innovative entrepreneurs took challenge of pioneering few amusement parks in Delhi, Kolkata, Mumbai and Chennai. The growth in this industry started only in the last decade and that happened possibly during the advent of globalization when economic potential of the social capital began to be perceived.

A recent market survey research shows that this industry in India is growing at a rapid pace and over 120 amusement parks and water parks are currently in operation in India. Out of them only 15% can be classified in the " large parks" category, 30% as medium size parks and balance 55% are small size local parks. Investments to the tune of Rs 10, 000 crore are likely to flow into the domestic amusement and leisure sector by 2020 with about 500 new parks are expected to come up across the country.

The Rs 4, 000-crore Indian amusement and leisure industry expects fresh investment of Rs 10, 000 crore by the year 2020. In terms of employment generation, the new parks are likely to create jobs for six crore man-hours per month. It is estimated that the total capital investment made in the <https://assignbuster.com/amusement-park-industry/>

amusement and theme park industry in India till date, is more than INR 40 billion (excluding investment on land). The estimated annual revenue generated by this industry is approx INR 20 billion, at present, which is expected to grow to almost three times by the year 2020 at a CAGR of over 11%. 22nd May, 2010 Amusement Parks are recreational facilities that offer a varied range of entertainment options ranging from theme parks to spine chilling roller coaster, 3D theater to giant wheel, in a cluster format. These parks provide one-stop-shop leisure and entertainment solutions for the entire family at one place and are a key source of tourist attraction (domestic and foreign) and revenue generation for the State. The demand for entertainment options such as amusement parks, I-max, shopping malls are rapidly increasing across the Country.

The key demand drivers for the segments are rising base of middle class, increasing disposable income, changing lifestyle, cultural shift and increasing emphasis to lead a holistic life with a balance of work and leisure. Tourism-Amusement parks During the last decade domestic tourism had grown @ 14% on an average and currently it is estimated at 527 million. Out of this, the amusement park industry generated only 15 million footfall during last year. Globally, domestic and international tourists comprise more than 50% of the total footfall at popular amusement parks. We can, therefore, expect that there could be manifold increase in footfall in amusement parks in India as the large parks in India are gradually converting themselves to larger destination parks with additional investments following the foot steps of large global parks. Currently for a population of 1.1 billion in the country, there are only 120 amusement parks and 45 Family Entertainment Centres.

This indicates that the growth potential of Indian amusement and theme park industry is substantial. The high growth potential of the industry in highly populated India will boost tourism, social infrastructural development as well as employment generation.

The success and growth potential of this industry is resulting into the advent of new manufacturers of amusement parks' rides in India. 4 22nd May, 2010 Today, Indian manufacturers can produce international standard quality products at a competitive price for both the domestic and the global market. Both these areas have good potential. Amusement parks have not received their due recognition for their enormous potential as an infrastructural facility for tourism. The amusement industry worldwide is a very significant part of the tourism effort.

In India, the tourism policy does not address the needs and the potential of the amusement industry. As such, today the amusement industry in India receives no special incentives. Recreation Industry - Amusement parks Recreation Industry is currently one of the most exciting sectors in India. The current market for leisure is estimated to cross USD 1 bn in next few years. The leisure industry mainly consist of amusement park, malls family entertainment centers (FECs) and multiplexes. The present consumer base is estimated around 30 million people.

At present there are around 200 FECs in the Country and the number is expected to grow to 400 in the next couple of years. Amusement parks contribute nearly 40% of the total leisure industry turnover. Through the years though there is a healthy growth, but at the same time it is burdened by local entertainment tax ranging from 10 to 25 per cent in various states.

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Further if any imposition of Central Tax like Service Tax will cripple the whole industry. The industry can absorb either of the taxes and not both, he stated.

Further he urged to make amusement industry an integral part of tourism and development in India at the Central Government Level. Recreation Industry is currently one of the most exciting sectors in India. The current market for leisure is estimated to cross USD 1 bn in next few years. The leisure industry mainly consist of amusement park, malls family entertainment centers (FECs) and multiplexes. The present consumer base is estimated around 30 million people. 5 22nd May, 2010 At present there are around 200 FECs in the Country and the number is expected to grow to 400 in the next couple of years.

Amusement parks contribute nearly 40% of the total leisure industry turnover. Retail- Amusement parks Growth of India's retail sector had been the main driving force for the amusement industry in India. Famous Ten Amusement parks in India: 1. Veegaland Park Situated at Pallikkara, this state of art Amusement Park is just 14kms away from Kochi/Cochin. Spread over a whopping 24 acres of land, its 7 storey high Vintage Castle and Caterpillar Village give a Fairy Tale atmosphere. The musical Fountains, flower gardens, water pool and water slides add to the attraction of the Veegaland Amusement Park. 6 2nd May, 2010 2. Ocean Park Ocean Park is situated at Gandipet, 20 km. from Hyderabad, in 20 acres of landscaped gardens, an amusement park that you haven't seen the likes of yet in India. It is one of the first theme parks started in twin-cities and continues to be a great hit especially with children.

But it is not the young ones alone who enjoy, even adults can have lots of fun here. It is a family amusement park offering a good mix of fun and thrills for people of all ages with water rides, kiddies pool, wave pool, water slides, dry rides- super loop, the 60 feet high ride, bumping cars, slam bomb etc. 7 22nd May, 2010 3. Ramoji Film City Ramoji Film City is the ultimate leisure destination for holidays, honeymooners, corporate conferences, events, theme parties, adventure camps, family picnics and grand weddings. this world's largest integrated film studio complex spread over 2000 acres of land. It was opened by the Film Producer Ramoji Rao in the year 1996. It's about 25 kms from the main city of Hyderabad and is open the 7 days of a week. The Film City Complex has urban landscapes of US and Australia as well as India.

They have the Amazon Army Base as the newest additions to the attractions of the Film City. 8 22nd May, 2010 4. Fun n food Village Fun 'N' Food Village at Delhi was set up in the year 1993. Fun 'N' Food Village is situated at Old Delhi-Gurgaon Highway which is just 3 kilometers away from the Delhi international airport. Fun 'N' Food Village is for all ages of people. Fun 'N' Food Village in Delhi was inaugurated by former President of India Giani Zail Singh. 9 22nd May, 2010 5. Essel World Pan India Paryatan Pvt. Ltd. (PIPPL) is the company holding EsselWorld – India's Largest Amusement Park and Water Kingdom – Asia's Largest Theme Water Park. Pioneers in the entertainment and leisure industry, it was EsselWorld that pulled people out of the staid environment of conventional pleasure trips and unfolded before them the exciting new scenario of a complete leisure destination. A sprawling complex on the coastal Gorai village in northwest Mumbai, “ The

Island of Fun” is sprawled over 64 acres and is a refreshing gateway to a whole new world of excitement and fun.

The second phase in the expansion plans for PIPPL, Water Kingdom makes this twin park complex a complete destination by itself. It’s never-before seen attractions set amidst unique architecture with international standard amenities and hygiene; catapult Water Kingdom into a different league. It is the only, truly international water park experience in India. 10 22nd May, 2010 6. Adventure Island Sprawling over an area of 62 acres in North West Delhi, it has been made with the venture of Unitech Ltd and International Amusement Ltd. It’s a 164 crore project with a water park and Planet Pogo.

There are 26 rides in all and all of them have been imported - supplied by leading European manufacturers such as Intamin, Moser and Zamperla, who supply rides to Disney, Universal Studios and Six Flags. The park is especially popular amongst children and teenagers. The entire Island consists of world class amusement Park, an adventure island and a water park. Retail Environment Metro Walk (Delhi) is spread across 2. 21 lakh sq ft and is anchored to the park. It overlooks a large lake which acts as a separator between the mall and the park.

The Park has 26 rides spreading in an area of 3. 5acres. 7. Entertainment City It is thought of as Disney Land of India - the Entertainment City in Noida. Unveiled by former cricket captain and entrepreneur Kapil Dev, it spreads over a whopping 147 acre land with an investment of Rs 10 billion. Built over an area of 100 acres of land, the park has more than 30 rides, supplied from European manufacturers. The Entertainment City Park has three

entertainment zones, one for kids, one for teenagers and one for families each with its own separate rides, attractions and food courts.

In addition to this it also has a Shopping complex known as the Great IndiaThe Entertainment City is a is a joint venture between Unitech and International Amusement Limited, the promoters of Appu Ghar (Delhi). 11 22nd May, 2010 8. Nicco Park It is situated in the heart of the main City of Calcutta in Salt Lake - its one of the most happening place for the kids and teenagers. The elders simply love to be here. Covering an area of 40 acres, it was opened in the year 1991. Jheel Meel was the previous name of the park. It was renamed in he year 1990 with the restructuring of the park. It's the only Amusing Park in the world which has got ISO 9002 certification. It draws a whopping 1. 5 million people every year. 9. GujaratScienceCity Gujarat Science City has been made with a view of impartingeducationin the form of entertainment. On one of its side, it has small village while on other side the suburban urban area reflects technological atmosphere. The Gujarat Science City has something different from others in the country. Visited by the former Indian President and Scientist Dr.

J P Abdul Kalam it exhibits, mind blowing experience, models which can be worked upon, a showcase of virtual reality, activity corners, hands on labs and live demonstrations to provide an understanding ofscience and technologyto the common man. 10. Platinum Resorts The silent yet beautiful theme park of West Delhi is spreading at 14 acres of land. Big lawns here and the greenery calls people to view the scenery beauty amongst the screaming voice of the city lights. It's a Resort cum Water Park. The beauty

of the Park can be seen from the entrance itself. It has a huge big entrance - with the hugeness it looks more magnificent.

The Platinum Resort is just a 30 minutes drive (25 km drive from Paschim Vihar, on Delhi-Rohtak Road, NH no. 10. It's a good place for family gatherings, parties and of course the entertainment of the entire family. 12
22nd May, 2010 13 22nd May, 2010 Current trends Amusement parks seek uniform entertainment tax The Indian Association of Amusement Parks and Industries, apex body of the amusement parks, has sought uniformity in the entertainment tax being imposed by different states. The Association rues that the exorbitantly charged entertainment tax by some states is a major impediment in the growth of the industry in these regions. West Bengal, Punjab and Gujarat charge entertainment tax at 20%, 40% and 25% respectively, whereas the entertainment tax rate hovers around 5-15% in majority of the states. Real Estate companies plans to enter into this market Though the unorganised players hold a majority share in the market, the organised players are also expanding their base. Groups like Nicco Parks, Zee group, Unitech ; Turner and various real estate companies are developing amusement parks in different regions. The foreign developers are also stepping into the Indian amusement industry through collaborations with Indian companies. 14 2nd May, 2010 V Guard group entered into amusement parks V Guard Group of companies, based in Cochin in Kerala, is negotiating with property owners in Mumbai and Chennai for starting amusement parks. The group, which is running Veegaland in Cochin and Wonderla near Bangalore, has identified a place near Chennai to start a watertheme and amusement park, but negotiations were still on. Growing

transportation facilities Transport corridors like expressways and the Metro line are bringing an increasing number of people closer to entertainment hubs. To that extent, they trigger growth of formal means of entertainment.

One major development witnessed in National Capital Region (NCR) over the last 4-5 years has been the expansion of Delhi Metro line. This process started in Central and Western parts of the city and is now on course to link South Delhi and Gurgaon. This has provided common man with a mode of transport that is both economical and convenient. While daily journeys like the ones to college or workplace have been simplified - the occasional weekend outing too has been made much simpler as a result of enhanced connectivity to popular entertainment destinations. 5 22nd May, 2010

Expansion of Metro rail project One of the first entertainment destinations, which is strategically located near Rohini Metro Station, was launched by Unitech. This project was launched prior to the completion of the Metro line and has been fully operational since December 2007. It comprises Adventure Island - an amusement park and the Metro Walk Mall

The expansion of Delhi Metro gives us reason to be very optimistic about future of our projects in Rohini, especially Adventure Island.

While the city is dotted with malls and retail spaces - this is one of the few amusement parks and hence we expect a significant increase in footfalls upon extension of Metro line to South Delhi and Gurgaon, as distance will no longer be a prime consideration.

Profile of top three Indian Companies: 1. Nicco parks ; resorts ltd NPRL was incorporated with the prime objective of providing educative entertainment and wholesome recreation for the entire family simultaneously promoting tourism. NPRL presents a complete leisure

package in an eco-friendly atmosphere with thrilling rides, eateries, exclusive landscaping, and indoor sports.

This amusement park offers all kinds of entertainment under one roof and handles its offerings with professional elan. Business area of the company: At Nicco Park, it offers a wide range of rides and facilities, which the company manufactures in addition to setting up the operation of Amusement or Water Parks on turnkey basis. 16 22nd May, 2010 The company is associated with TUV, India (affiliated to TUEV, Germany) who commission an annual inspection of all its major rides along with manufacturing inspections for the new rides based on approved quality assurance plans.

The company can offer overall consultancy to set-up and run Theme Parks successfully. • At the market price of Rs. 70. 00, the stock trades at P/E of 15. 35 x and 12. 96 xs for the earnings of FY10E and FY11E respectively. • Earning per share (EPS) of the company for the earnings of FY10E and FY11E is seen at Rs. 4. 56 and Rs. 5. 40 respectively for equity share of Rs. 10. 00 each. • We recommend ‘ BUY’ in this particular scrip with a target price of Rs. 85. 00 for Medium to Long term investment. Particulars Net Sales (Rs. Mn.) Net Profit (Rs. Mn.) EPS (Rs.) FY08 214. 0 12. 80 2. 73 FY09 244. 00 21. 30 4. 56 % Chg. YoY 13. 59 66. 41 67. 03 17 22nd May, 2010 2. South Asian Enterprises Ltd South Asian Enterprises (SAENTER) is engaged in the business of setting up and running amusement parks and has ventured into the real estate and films. It was incorporated on Mar. 21, 1990 and came out with a public issue on Mar. 30, 1994. Earlier known as South Asian Entertainment, it acquired its present name on Feb. 24, 1995. Associate

companies include VLS Capital, Gaurav Overseas Exports, Needle Eye Plastic Industries, Pragati Moulders, M.

P. Mehrotra (HUF), VLS Finance, VLS Securities, VLS Investments, VLS Asset Management, and VLS Investments Inc. (USA). The first park was set up in the city of Kanpur under the name and style of Mikky House. Other parks were set up in Lucknow and Ayodhya. In FY08, the company ventured into marketing of earthing products and execution of contracts for earthing and lightning protection systems. It has also ventured into television serials and film production in collaboration with AUM Sportainment. Come December is a recent production.

- At the market price of Rs. 12. 6, the stock trades at P/E of -0. 14 x and 22. 59 xs for the earnings of FY10E and FY11E respectively.
- Earning per share (EPS) of the company for the earnings of FY10E and FY11E is seen at Rs. -0. 54 and Rs. 0. 53 respectively for equity share of Rs. 10. 00 each.
- We recommend ‘ HOLD’ in this particular scrip with a target price of Rs. 20. 00 for Medium to Long term investment.

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Particulars	FY09	FY10E	% Chg. YoY
Net Sales (Rs. Mn.)	7. 40	1. 87	0. 47
Net Profit (Rs. Mn.)	13. 03	-0. 54	- 76. 08
EPS (Rs.)	3. 40	0. 53	- 84. 41

3. Mahindra Holidays ; Resorts India Ltd

Mahindra Holidays ; Resorts India Limited was incorporated as a private limited company called ‘ Mahindra Holidays ; Resorts India Private Limited’ on September 20, 1996. The status of the Company was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on January 29, 1998. The fresh certificate of incorporation consequent upon conversion was issued to the Company on April 17, 1998, by the Registrar of Companies, Tamil Nadu at Chennai.

- At

the market price of Rs. 482. 00, the stock trades at P/E of 30. 2 x and 27. 92 x for the earnings of FY10E and FY11E respectively. • Earning per share (EPS) of the company for the earnings of FY10E and FY11E is seen at Rs. 15. 69 and Rs. 17. 25 respectively for equity share of Rs. 10. 00 each. • We recommend ‘ BUY’ in this particular scrip with a target price of Rs. 575. 00 for Medium to Long term investment.

19 22nd May, 2010 Particulars

	Net Sales (Rs. Mn.)	Net Profit (Rs. Mn.)	EPS (Rs.)
FY10	5101. 96	1178. 37	14. 44
FY11E	5694. 23	1307. 23	15. 69

% Chg. YoY 11. 61 10. 94 8. 66

SWOT Analysis

Strengths • Fastest growing sector High margins • Growing foreign Investments • Customers satisfaction Weaknesses • Seasonal business • Low entry fees • No special incentives from govt

20 22nd May, 2010 Opportunities • Currently for a population of 1. 15 billion in the country, there are only 120 amusement parks and 45 Family Entertainment Centers. This indicates that the growth potential of Indian amusement and theme park industry is substantial. • Transport corridors like expressways and the Metro line are bringing an increasing number of people closer to entertainment hubs. The Indian gaming market is on the path of maturity, income levels are rising and people want to have a fun life. • The foreign companies reportedly interested in the Indian amusement parks market include Universal Studios, Time Warner and Disney. • Growing tourism industry • Growing retail market Threats/ Challenges • Factors such as monsoon and cold weather affect the industry and in a year, only 100 days are the 'peak season' for the parks. • Lack of uniform taxation • Govt policies • Rising material cost of equipment

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Conclusion: The high growth potential of the industry in highly populated India will boost tourism, social infrastructural development as well as employment generation. The success and growth potential of this industry is resulting into the advent of new manufacturers of amusement parks' rides in India. Currently for a population of 1.15 billion in the country, there are only 120 amusement parks and 45 Family Entertainment Centers. This indicates that the growth potential of Indian amusement and theme park industry is substantial.

Global leaders in entertainment parks and attractions like Universal Studios, Disney, Sony and Ripley Entertainment are mulling over investments of billions of dollars in India considering the vast potential in this region. Private equity funds are also aggressively dedicating resources towards this sector. The growth of the Indian economy will drive the Industry to, “ grow both vertically & horizontally. Vertically, in terms of the scale of investment and horizontally across the length and the breadth of the country. The greatest growth potential is the enormous amount of dormant/under-utilised land in India’s hinterland.

Hotels and resorts are already showing interest in developing existing plots into anything form small play areas to full scale theme or water parks.

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same on International Stock Exchanges namely AIMS, Luxembourg, Singapore Stock Exchanges and Other international stock exchanges.

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