September 25, 2024

BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeeboy Towers	Exchange Plaza, Plot no. C/1,
Dalal Street, Fort,	Block G, Bandra Kurla Complex, Bandra (E)
Mumbai- 400 001	Mumbai - 400 051
BSE Scrip Code: 539056	**NSE Scrip Symbol: IMAGICAA**

Dear Sir/Madam,

Sub.: **Investor Presentation**

Please find enclosed herewith the Investor Presentation.

The above is for your information and records.

Thanking you,

Yours faithfully,

For Imagicaaworld Entertainment Limited

RESHMA VISHWANATH POOJARI

Digitally signed by RESHMA VISHWANATH POOJARI
Date: 2024.09.25 09:16:33 +05'30'

Reshma Poojari

Company Secretary & Compliance Officer

Encl: As above

Investor Presentation

September 2024

ImagicaaWorld

Safe Harbour

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Agenda

1. Introduction

Who We Are & What We Do

One of the Largest Outdoor Park Player in India

ImagicaaWorld

8^ parks strategically located parks along western belt

Madhya Pradesh

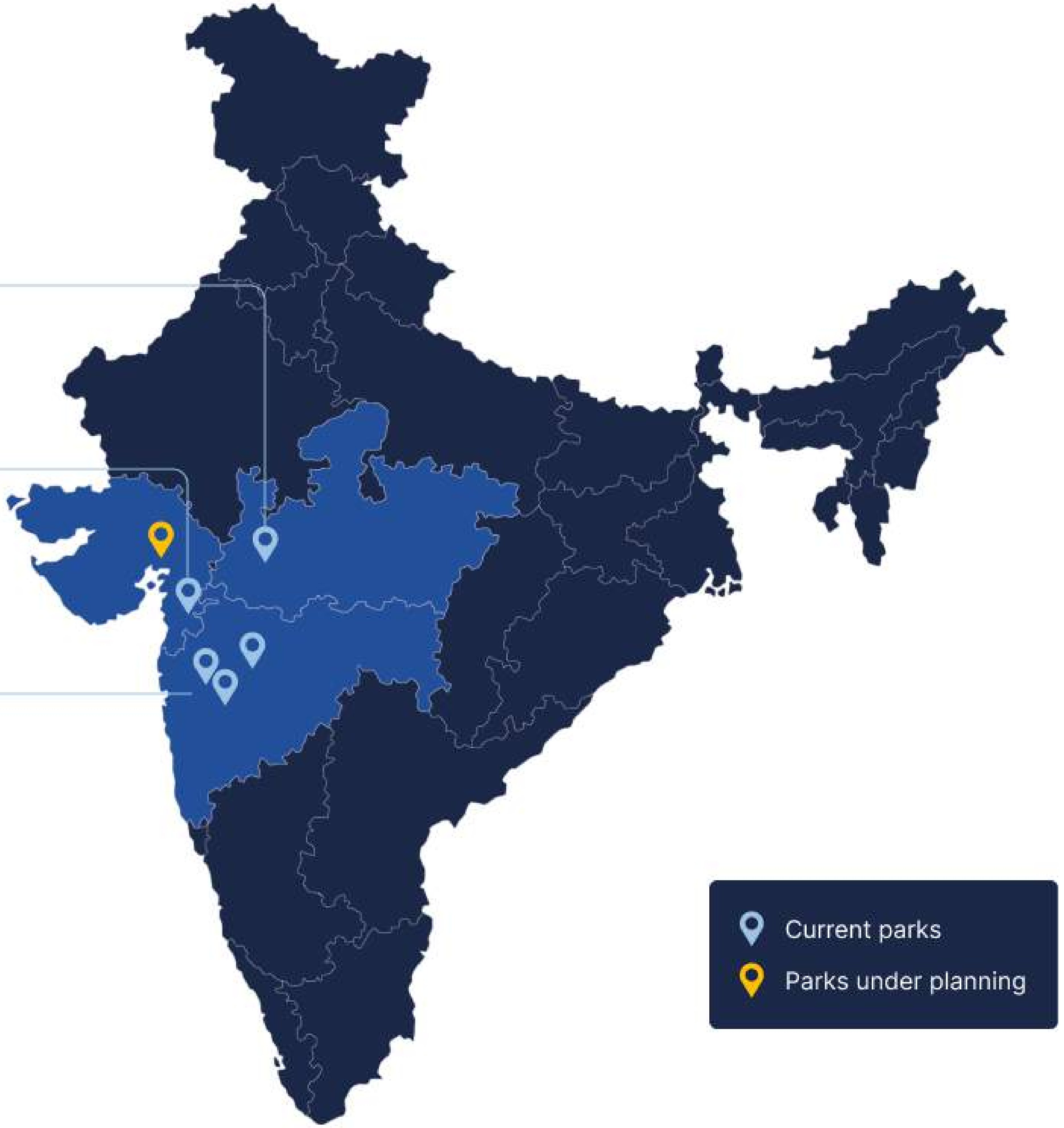
1. Indore^ (1)

Gujarat

1. Surat (1)
2. Ahmedabad

Maharashtra

1. Khopoli (2)
2. Lonavala (2)
3. Shirdi (2)



Current Portfolio of Brands

Theme & Water Parks in Khopoli + 5-star Hotel

Imagicaa | NOVOTEL HOTELS & RESORTS IMAGICA KHOPOLI

Amusement & Water Parks Lonavala

Wet'n Joy

Spiritual Park & Water Park in Shirdi

Sai Teerth THEME PARK | Wet'n Joy

Water Park in Surat

Aqua Imagicaa

In pipeline - Water Park In Indore

Aqua Imagicaa

Notes: *Map not to scale | ^8 Parks include 7 operational parks & 1 Indore park expected become operational by Q4FY25

ImagicaaWorld 2.0 - A New Trajectory

ImagicaaWorld

1. Strong New Management

Over 2 decades of experience in Park Business with professionalism and proven track record

2. Improved Operational & Financial Performance

Consolidation of 7 parks resulting in **2X Footfall and EBITDA,** with **1.5X Revenue increase**

3. Addition of New Attractions at Existing Parks

During FY 24 & FY25, **initiatives taken across** parks leading to **addition of new rides & attractions as well as increased daily capacity**

4. Entering New Geographies

New park located between **Indore and Ujjain spread across 18 acres** with **20+ rides and 3 multi cuisine restaurants**

5. Large Portfolio of Parks

Post acquisitions, Imagicaaworld has largest portfolio with **8* parks and 1 Five-star hotel**

8* Parks
Across 5 locations
In Western India spread across **~220 acres**

~28 Lakhs
Combined Footfalls across Parks with Strong Regional Dominance

~150
Rides and Attractions
Proprietary Character and Ride Content IPs

★★★★☆
4+ Guest Experience Rating^

287 key thematic
5-Star Deluxe Hotel with 13,000+ sq.ft. Banquet & Lawn

ESG Conscious
Water Harvesting and Solar powered

Notes: *8 Parks include 7 operational parks & 1 Indore park expected become operational by Q4FY25 | ^Guest rating as per social media and online platforms

Backed By Strong Promoter - Malpani Group

ImagicaaWorld

MALPANI

- FMCG
- Real Estate
- Renewable Energy
- Park Business
- Hospitality & Education

- The Malpani Group, **based out of Sangamner in Maharashtra**, is a family owned well diversified business group with interests in **FMCG, renewable energy, real estate, hospitality, theme and water parks, and education businesses overall grown across last six decades.**
- The Malpani Group **businesses are spread across multiple cities** and **have a wide customer reach.**
- The group has created s**ignificant power generation capacity** with **presence in both wind and solar power projects** across several major states.

Imagicaa | Aqua magicaa | Wet'n Joy Water Park, Lonavala | साई तीर्थ | गाय | YOHO | Malpani Group Real Estate Division | Dhruv Global School






Well Diversified Business Portfolio of Malpani Group

Key Levers For Best-In-Class Guest Experience

International Rides from Reputed Suppliers

Provides unique experience with Thrill rides sourced from Switzerland, United States, Canada, Turkey, Italy and many more

Best Safety Standards

ISO & BIS certified for Safety & process compliances. Periodic **3rd party audits** of rides and strict adherence of **rehabilitation and maintenance** activities

In house Food & Beverages

Provides Thematic and Festival led cuisine experiences to cater to sensibilities and taste buds of visitors with High hygiene standards

Enhanced Customer Experience

After a day full of enthralling adventures, Specially curated evening acts such as **The Grand Imagicaa Parade** and **array of Events across the year** viz, **New Year Bash, Holi,** etc create memories leveraging technology to better understand customer preferences

Strong Brand Equity & Recall

Demonstrated capabilities in rich character content created in-house ranging from the design and looks, films and adaptations to merchandise resulting in high brand recall

Bouquet of Product Offerings

Product offerings with a combination of Theme Park, Amusement Park, Water Park, Devotional Park & a 5-star Hotel

Key Entry Barriers

ImagicaaWorld

1 Land Acquisition Hurdles

- Parks are extremely land intensive as 20-50 acres is required
- Land acquisition is complex and key factor for finding strategic location, regulatory clearances and rehabilitation

2 Capital Intensive Business

- Requires upfront investment for new park set up
- Incur Replacement & Refresh capex for new rides every 2-3 years to attract customers and get repeat footfalls

3 Lack Of Differentiated Offerings

- Most players (except for few large players) do not have unique offerings in terms of overall experience or rides & attractions
- This constrains their ability to attract repeat demand

4 Executional & Operational Expertise

- Indian amusement and theme park industry players requires execution experience in operating, maintaining and managing operations
- As the investments are higher and break-even periods longer, players require expertise in execution and managing day to day operations.

Source: Crisil Industry report

2. Key Investment Highlights

Long-Term Earnings Compounder

Key Investment Highlights

Indian amusement and theme park industry to grow at healthy 9-11% CAGR from FY2024 to FY2030^

One of the largest amusement & theme park company in India with strategically located parks^

Demonstrated track record of strong execution capabilities and Financial Prudence to drive Profitable Growth

Acquisitions leading to margin expansion and further scale

Experienced promoter supported by a competent management team and backed by board of directors comprising of industry veterans

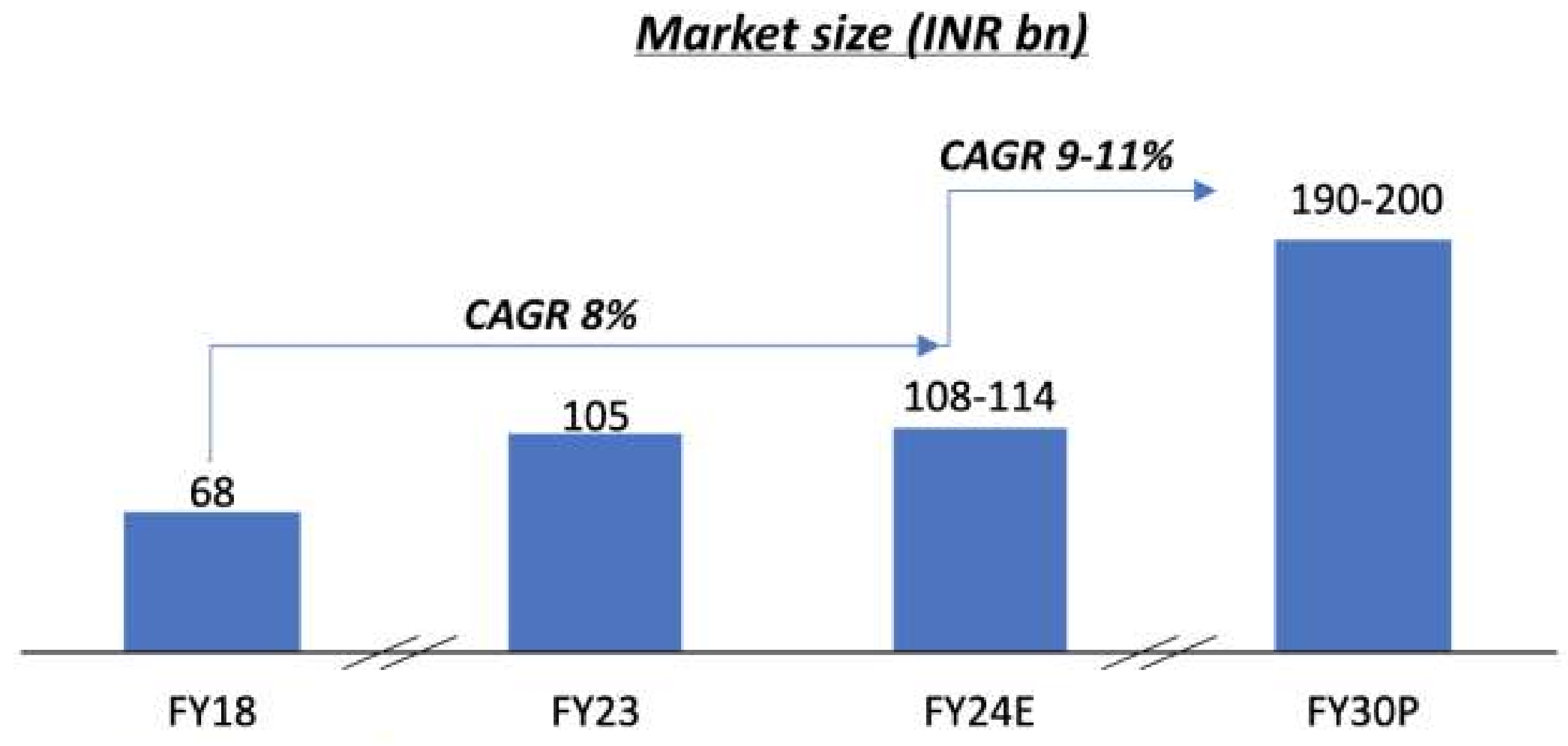
Source: ^Crisil Industry report

Unearthing the Potential of Entertainment Parks

Indian Amusement & Theme Park industry to grow at healthy 9-11% CAGR from FY2024 to FY2030

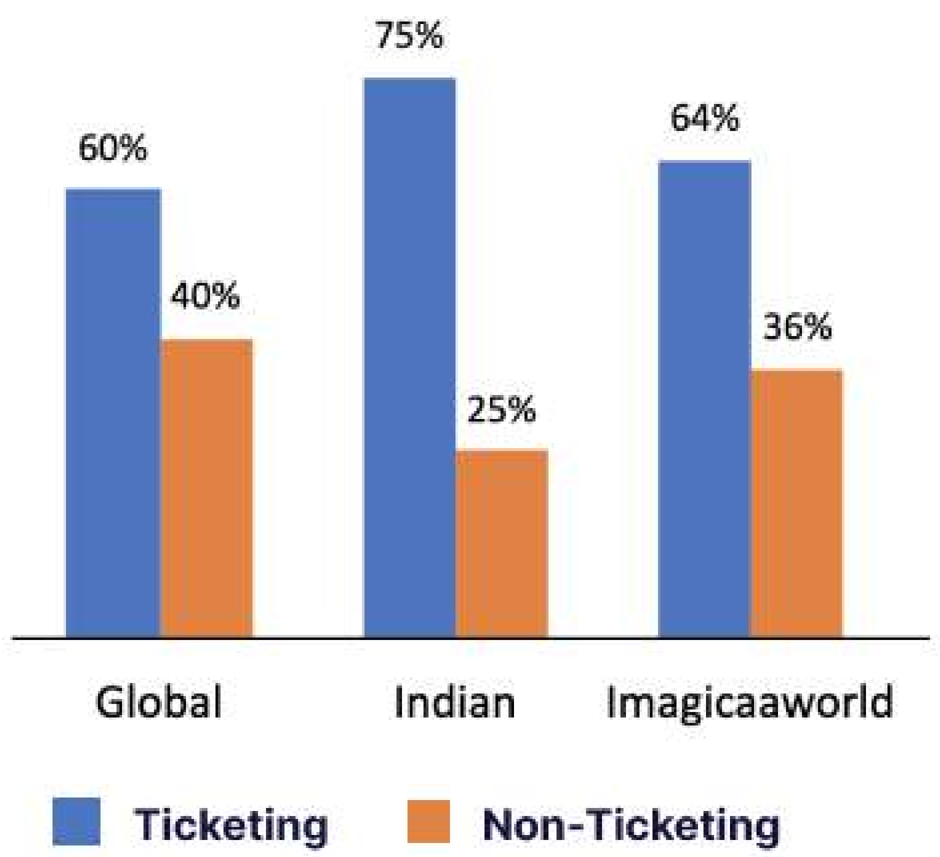
- Growth is expected to be supported by expansion of players in diverse geographies including tier-2 and tier-3 cities
- Players are innovating their product and service offerings to enhance guest experience adopting digital means of ticketing, offering group discounts, theme parties, festival celebrations to attract higher footfalls
- Ticket revenue continues to remain dominant stream for Indian amusement and theme park players
- Indian market is dominated by medium and small parks given high capex and regulatory compliances with few large parks

Outlook of Indian entertainment park industry market



Source- Crisil Industry Report

Revenue Streams of Amusement Parks

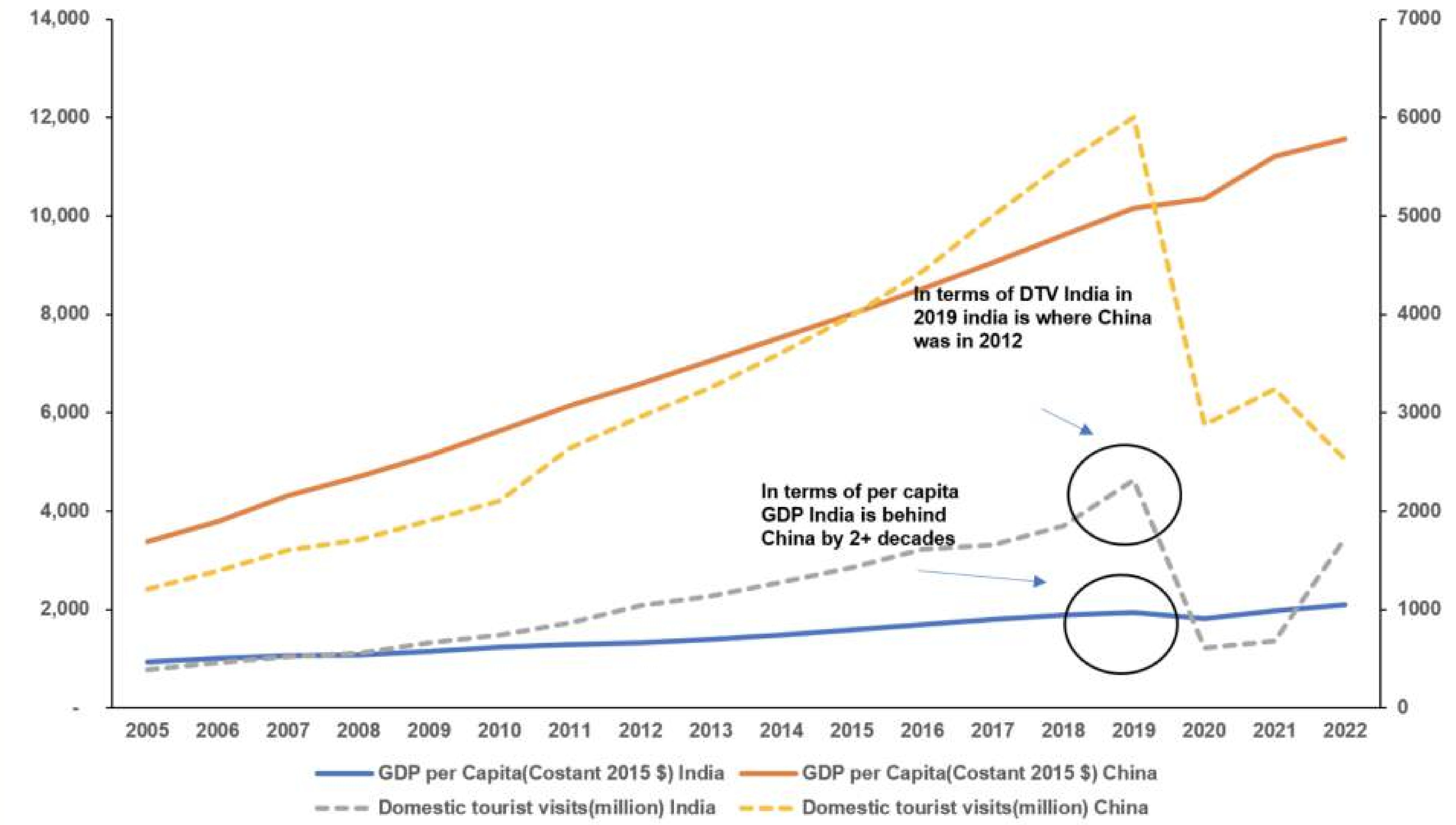


- Significant difference between revenue mix of Indian Amusement Parks compared to Global Parks
- Largely due to lower discretionary spending power of Indian consumers
- Imagicaa's non-ticketing revenue contribution is closer to global parks

Source: Crisil Industry report

Multifold Growth Potential

- Domestic consumption is one of the key factors for economic growth
- In China, the tourism sector witnessed significant growth, with domestic tourist visits (DTV) growing by 12% CAGR from 2009 to 2019
- Per capita GDP growth also saw healthy growth at 7% CAGR during same period
- India saw growth in DTV which grew at 13% CAGR from 2009 to 2019, while per capita GDP grew at 5% CAGR in the same period
- In absolute terms per capita GDP for India is behind by two decades compared to China and in terms of DTV
- Similarly, DTV for India in 2019 is where China was in 2012
- This indicates a potential for expected growth in the per capita GDP and in turn disposable income, further propelling growth in the DTV in medium to longer term in India



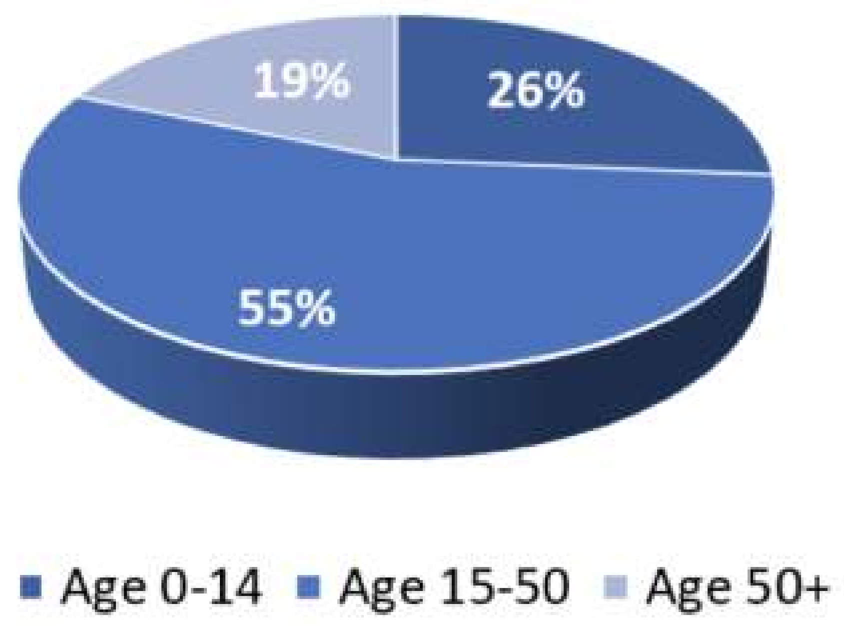
Source: Crisil Industry report

Factors Supporting This Growth

ImagicaaWorld

Favourable demographic presenting a large opportunity

CY2020

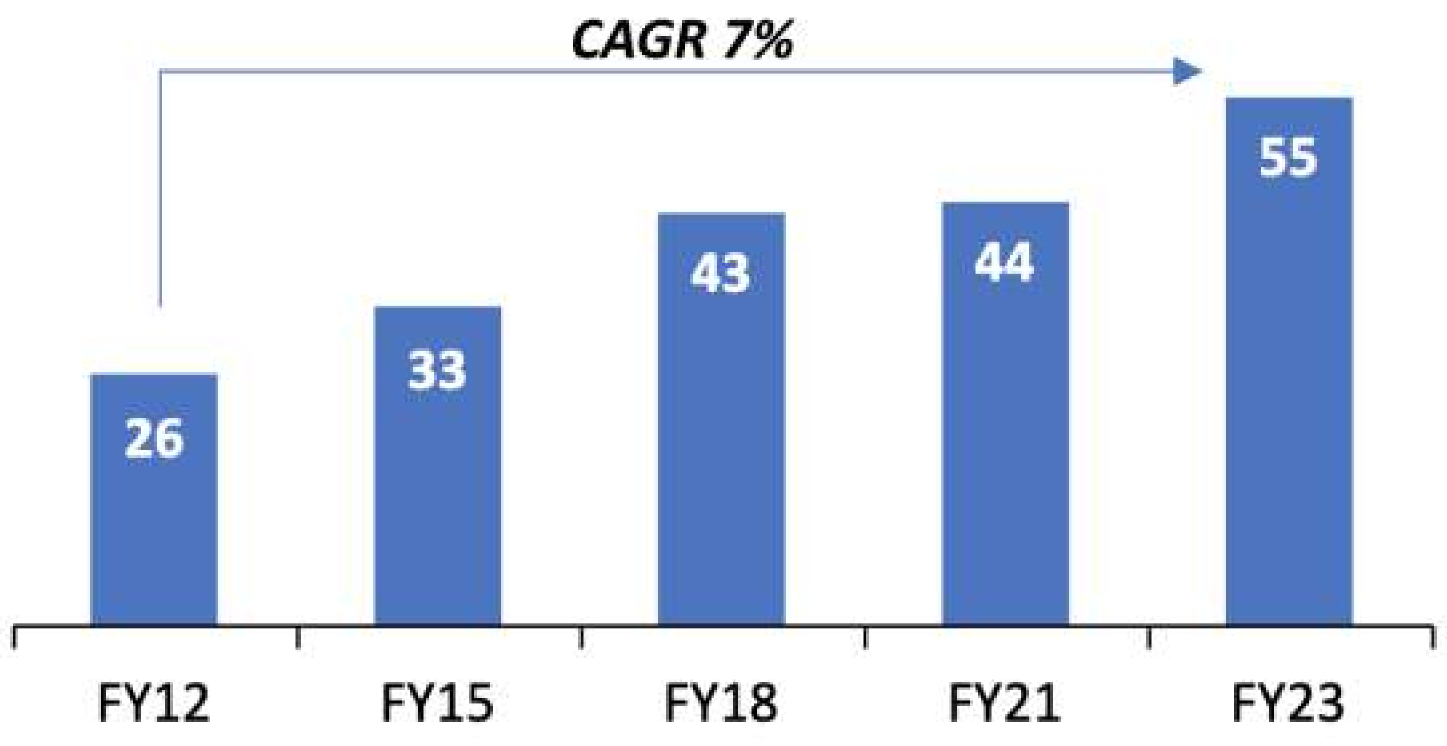


Youngest amongst the world

Median age by country	2020
Brazil	32.4
China	37.4
India	**27.3**
Russian Federation	38.6
UK	39.5
US	37.5
World	29.7

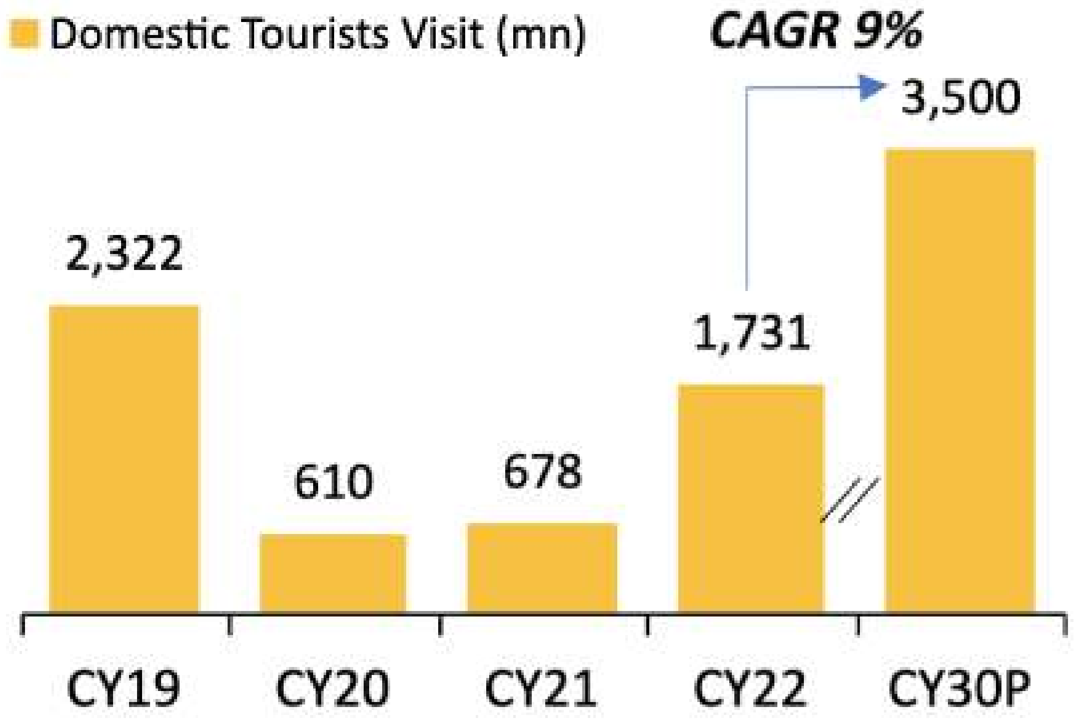
Supported by increasing disposable income & evolving consumer behaviour

Consistent rise in discretionary personal consumption, PFCE (INR tn)



- Spending on leisure activities like amusement and theme parks is linked to discretionary spending
- There is rising propensity of Indian consumers to spend due to increase in disposable income of households

Rise in domestic tourism due to increased connectivity



- Robust growth in Domestic Tourist Visits (DTV) is aiding the tourism allied sectors like hotels, amusement parks etc.
- Additionally, state-level policy initiatives aimed at promoting tourism have also played a crucial role in driving up domestic tourism

State government provide support to the industry

- **Maharashtra (Tourism policy 2016)** – fiscal and additional incentives for eligible units including water sports and amusement parks
- **Gujarat (Tourism policy 2021-2025)** – incentives in the form of capital subsidy, exemption of electricity duty etc. for parks with investment >INR 500 mn are eligible
- **Tamil Nadu (Tourism policy 2023)** – investments in the entertainment parks/ projects spread over minimum 15 acres of land will be supported
- **Madhya Pradesh (Tourism policy 2016)** – Hotels, resorts, water parks, amusement parks are will be eligible for the subsidy/incentives

Source: Crisil Industry report

Leading Player with Scaled Brands

Location Is A Strong Entry Barrier

- Strong presence in the western belt is a key moat and creates huge entry barrier
- Established early presence in right catchment areas driving footfalls
- Subsequent competitive risk is low as our strong presence inhibits new players
- High capex and requirement of large land parcels act as a further deterrent

Proximity To Large Catchment Areas With Higher Spending Propensity

- Consciously chosen locations addressing large population
- Khopoli-Lonavala parks address primary catchment areas of MMR + Pune^ **~34mn population**
- Shirdi park addresses primary catchment areas of Shirdi & nearby regions
- Current park in Surat and upcoming parks in Sabarmati & Ahmedabad **~15mn population**
- Upcoming park in Indore will address cities of Indore, Ujjain & Dewas **~8 mn population**

Wide Offerings Of Rides & Attractions Across Various Park Formats

- 150+ rides and attractions across parks
- Presence across several formats including amusement park, theme park, devotional park and water park
- Constant efforts towards enhancing customer experience as well as adding capacity
- Added new rides & attractions over FY24 & FY25
- Increased daily capacity

Source: Crisil Industry report | Notes: ^MMR – Mumbai Metropolitan region includes Mumbai city+ Thane + Navi Mumbai, Pune includes PCMR region

Key KPIs of Current Portfolio of Parks

ImagicaaWorld

	Imagicaa	+ Wet'n Joy / Sai Teerth Theme Park	= Imagicaa + Wet'n Joy + Sai Teerth Theme Park	
Parks#	3	4	7	2x
Footfalls (In Lakhs)	13.6	15.6	27.8	~2x
Revenue (In Crs)	260	153	413	~1.6x
EBITDA (In Crs)	96	87	184	~2x
EBITDA %	37%	57%	44%	Margin Improvement

Growth Ahead

Imagicaaworld has done **Rs 50+ Cr capex in FY24** adding **Grand Musical Fountain Show** at Theme Park and **6 new rides** at Water Park

Capex of **₹20+ Cr** done to add **15+ new rides and attractions** across Wet'nJoy and Sai Teerth parks

Above data | * KPI's are of operational parks. This excludes Indore Park which is yet to commence operations.

Strong Leadership Team

Promoters with more than two decades of experience in the park business

Mr. Rajesh Malpani –
Chairman (Non Executive)

- M.S. from Virginia Technical Institute (U.S.A)
- Successfully diversified Malpani Group's sectoral reach
- Strong Acumen in Finance, taxation and planning

Mr. Manish Malpani -
Non-Executive Director

- Mechanical Engineer with strong hand on experience in FMCG and real estate
- Pioneer in India's amusement & water park sector

Mr. Jai Malpani –
Managing Director

- London School of Economics and Bentley Graduate in Economics and Finance
- Responsible of the expansion and management of our park verticals
- Actively involved in Group Investments

Key Management Professionals

Mr. Dhimant Bakshi - *CEO & CMO*

- INSEAD Alumnus with 30 years experience in Retail, Entertainment and Ecommerce businesses - Associated with IEL since 2012.
- Experience across Reliance Retail, Shoppers' Stop & Future Group
- Strong Business Development, Brand Development Skills

Mr. Mayuresh Kore - *CFO And Head - Legal*

- MBA Finance with 20+ years of diverse experience across project finance, treasury, investment banking
- Associated with IEL since 2009 leading Fund raising and Corporate Planning

Experienced support from Malpani Group

Mr. Prafulla Khinvasara
CEO – Renewables

- Robust experience in the areas of operations management & procurement
- He has been with the group for more than two decades

Mr. Prashant Runwal
Group – CFO

- Chartered Accountant with Strong expertise in the areas of M&A, Corporate Finance, Taxation, Accounting and Business Strategy

Mr. Uday Khairnar
Group – CTO

- Robust experience in implementation of IT solutions including SAP

Ably Guided by Strong independent directors on the Board with vast experience across **Entertainment Businesses, Finance, Auditing, Legal and Strategy.**

3. Our Growth Strategy

Initiatives For Future Growth

Strategy for Next Phase

ImagicaaWorld

Foraying Into New Geographies

- Expand operations and further Strengthen Brand 'Imagicaa' by setting up new parks PAN India
- Adding one new location each year, with a focus of expanding into Tier I and Tier II cities in India

Well Diversified Revenue Streams

- High Focus on F&B and Retail merchandise operations to increase Consumption and ARPU
- Monetisation through sponsorship opportunities to Brands and Advertisers
- Hotel Novotel Imagicaa, leveraging with park as a venue for MICE and Weddings

Levers To Improve Profitability

- Revenue synergies from cross and upsell across parks
- Improvement in overall ARPU with pricing and Bundling
- Cost efficiencies in marketing, employee cost, procurement and other corporate overheads
- Reduction in power cost with new Captive Solar project

Expand And Upgrade Our Existing Parks

- Growth in revenue & footfalls from periodically introducing new attractions
- Innovate newer attractions based on concepts that are popular basis in-house market study

ImagicaaWorld

Pursue Strategic Collaborations To Develop Scale And Capabilities

Diversify portfolio through collaborations to provide more offerings to customers

Building a Pipeline for PAN India Presence

Aquaimagicaa – Indore, Madhya Pradesh*

Park is strategically located near key cities of Indore and Ujjain

Spread across 18 acres with 20+ water rides & attractions, and 3 multi cuisine restaurants with banquet

Expected to commence operations from Q4FY25

Entertainment Hub – Sabarmati, Gujarat

Won bid in March 2024 to establish a landmark concept at the iconic Sabarmati Riverfront in Ahmedabad

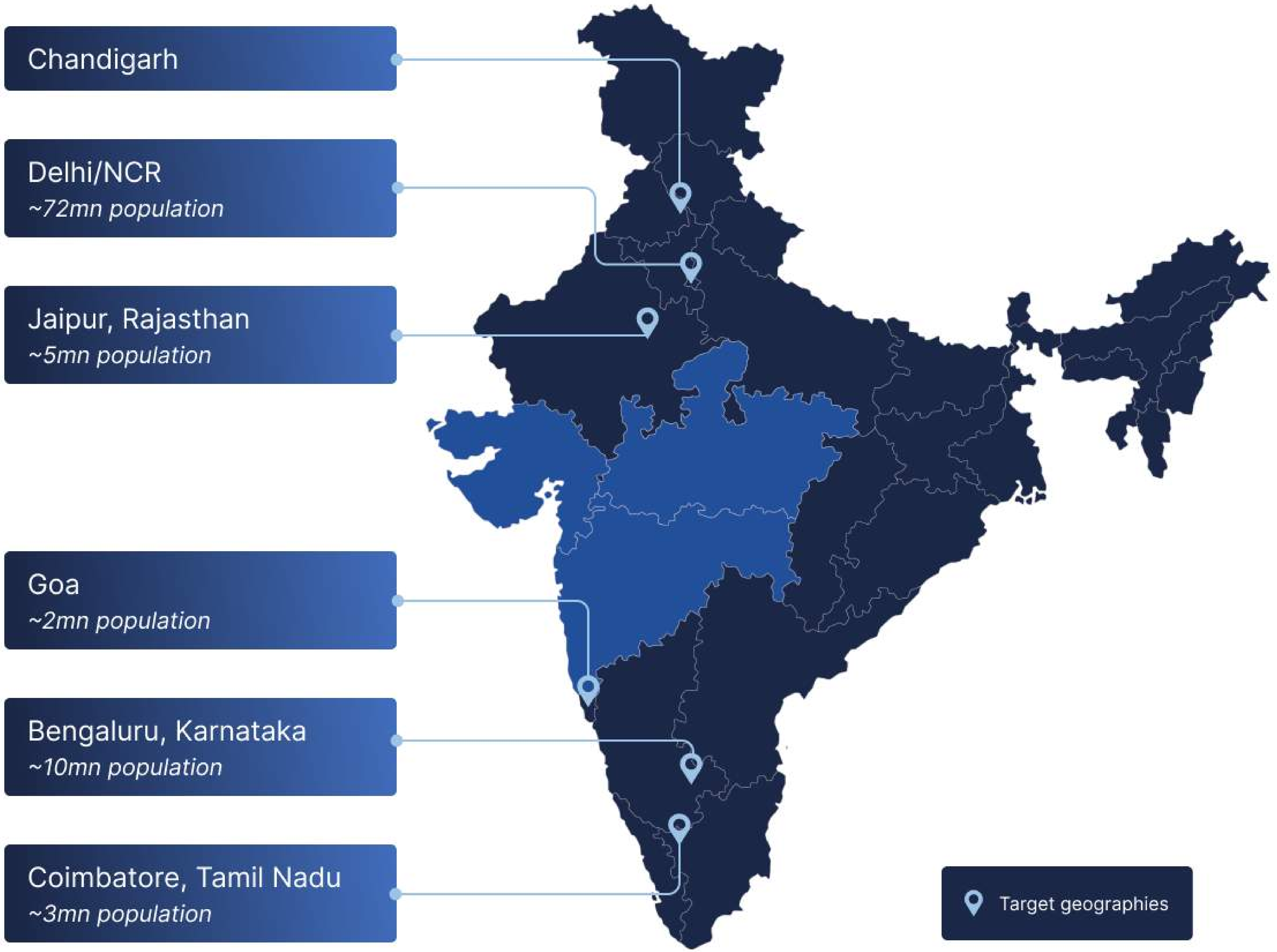
Multiple indoor and outdoor attractions such as ferris wheel, racing track etc., F&B outlets spread across 11 acres

Expected to commence operations in two years post receipt of requisite approvals

Notes: *Acquisition of Malpani Parks Indore Private Limited from Malpani Parks Private Limited expected to be completed by 30 September 2024

Creating PAN India Entertainment Park Network

ImagicaaWorld



Identifying the Right Location!

1. **Regions with large catchment areas**
   Target cities with **>40 lacs** population
2. **Ability to drive footfalls**
   Proximity & good connectivity to nearby cities
3. **Land availability**
   Typically target to build large or medium parks requiring space **>10 acres**
4. **Identify Collaboration Partners**
   Potentials tie-ups with government, alliance partners or international partners

Notes: *Map not to scale | Source: Population data from Crisil Industry Report

4. Financial & Operational Highlights

Historical Performance

Operational & Financial Summary

Particulars	FY20	FY21	FY22	FY23	FY24	Q1 FY25*
Operational data						
Footfalls (Mn)	1.12	0.08	0.32	1.36	1.36	
ARPU (Rs.)	1392	1367	1568	1459	1510	
Financial data						
Ticket sales	*94*	*7*	*35*	*134*	*131*	
Room rentals	*25*	*8*	*15*	*32*	*34*	
Food & Beverage	*52*	*6*	*16*	*60*	*62*	
Merchandise	*13*	*1*	*3*	*13*	*14*	
Other operating revenue	*16*	*1*	*4*	*12*	*18*	
Revenue (Rs. Crs)	200	22	72	251	260	181
Material Costs	22	3	-24	28	29	
Employee expenses	52	28	25	45	50	
Marketing Expense	39	2	6	22	23	
Repairs and maintenance	12	4	7	18	8	
Power and fuel	18	7	11	20	22	
Other expenses	60	12	15	32	32	
Operating EBITDA	-4	-35	32	85	96	107

*** Q1 FY25 includes consolidated operations of the 7 parks**

- Financial from FY20 to FY24 are of 3 parks of Imagicaa.
- Q1FY25 financials are including the 4 parks (Lonavala & Shirdi) acquired by Imagicaa from Malpani group.
- Q1 is the highest revenue generating quarter of year and hence an improved performance on consolidated basis
- Addition of new parks every year will improve the revenues y-o-y

1. FY21 & FY22 Covid Impact
2. FY23 Malpani group took the control from erstwhile promoters
3. FY23 revenues improved after city opened up post lock down
4. FY24 modest revenue growth on account of revenge tourism in FY23

1. Significant operational efficiency brought in after takeover by the Malpani group.
2. Increase in profitability after takeover on account of operating leverage and operational efficiencies

Balance Sheet

Particulars (In Rs. Cr)	FY20	FY21	FY22	FY23	FY24
Equity & Liabilities					
Equity Capital	88	88	88	412	482
Reserves	-439	-706	-949	-176	313
OCRPs	0	0	0	213	220
Short term borrowings	1,076	1,078	1,078	20	20
Unsecured loan	0	0	0	573	12
Trade Payables	22	32	25	23	24
Other liabilities*	281	443	631	43	27
Total	**1,029**	**935**	**873**	**1,107**	**1,098**
Assets					
Plant, Property & Equipment (incl. CWIP)	901	812	724	796	730
Deferred tax asset	0	0	0	196	194
Inventories	84	82	114	15	16
Trade Receivables	5	2	3	5	4
Cash & Bank	3	4	6	65	106
Other Assets	36	35	25	30	48
Total	**1,029**	**935**	**873**	**1,107**	**1,098**

1. Increase in equity in FY23 on account of equity infusion by Malpani group for strategic control.
2. Increase in Equity in FY24 on account of conversion OCRPS into equity which were acquired by promoters as part of debt settlement
3. Reserves have increased y-o-y on account of
   a. issuance of equity shares at premium
   b. Write back of debts in the books
   c. Increased profitability of the company
4. Significant reduction of debt in FY23 & FY24 is on account of debt settlement done by Malpani group with various PSBs.

1. Increase in fixed assets is on account of capex incurred by the company to install additional rides at the park to enhance the customer experience and increase the footfall
2. Creation of deferred tax assets on account of accumulated losses available to the company
3. Increase in cash and bank balance on account of increased profitability and has been used to part pay for acquisitions. (Transaction I)

*** Includes accrued interest**

5. Annexures

Transaction I : Lonavala & Shirdi Park Business

ImagicaaWorld

Imagicaaworld Entertainment Ltd.

Pays a consideration of **₹630 crores**, by way of deferred payments in **7 tranches** spread across **30 months**

MALPANI

Giriraj Enterprises (Malpani Group Firm)

Acquisition through Business Transfer Agreement w.e.f **April 1,2024**

Carves out on a **'slump sale'** basis as a **'going concern'** basis of all park business

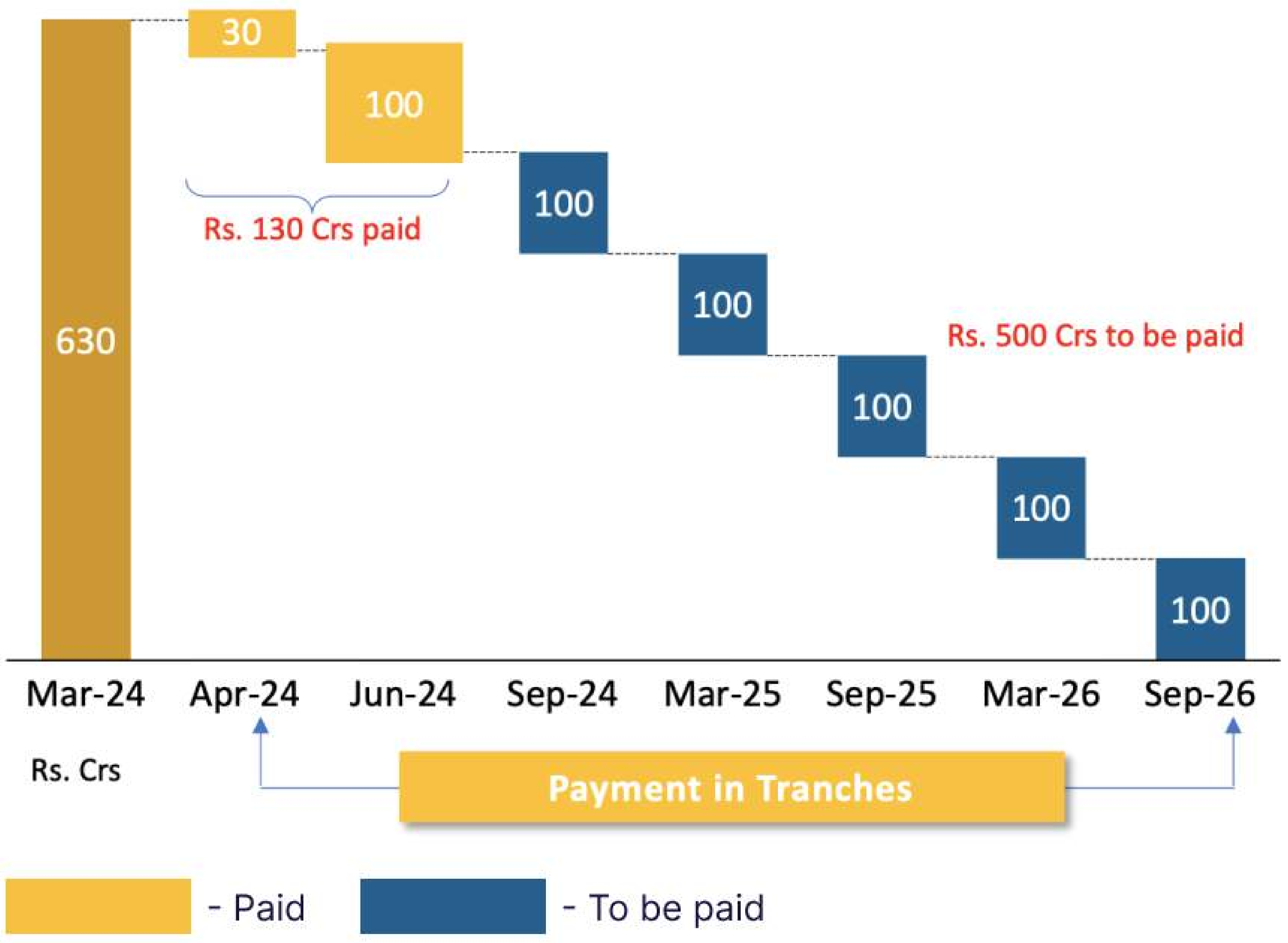
Lonavala and Shirdi Park Business

1. Wet'nJoy Waterpark, Lonavala
2. Wet'nJoy Amusement Park, Lonavala
3. Saiteerth Theme Park, Shirdi
4. Wet'nJoy Waterpark, Shirdi

Payment Schedule for Transaction I

Payment Schedule

Rs 630 Crores to be paid over 30 months in 7 tranches



Enterprise Value	**₹630 Crores** (Acquisition done on a Cash free & Debt Free Basis)
EBITDA	**₹87 Crores** (FY24)
Footfalls	**15.6 Lakhs** (FY24)

Transaction II : Indore Park

Imagicaaworld Entertainment Ltd.

Enterprise Value of ₹208 cr which includes up to ₹55 crores to acquire 100% equity shares of MPIPL and balance to discharge its liabilities

Malpani Parks Indore Private Limited (Malpani Group Firm)

Key Investment Highlights

Park is strategically located with proximity to Indore, Ujjain and Dewas

Spread across 18 acres with 20+ water rides & attractions, 3 multi cuisine restaurants with banquet hall

Expected to commence operations in FY25

The Project is eligible for capital subsidy under the MP tourism policy

Awards & Recognitions

Guinness Books Of World Records

More than **1,100 children from underprivileged families** made history at Imagicaa, where the simultaneously opened presents from the park and set a – **Guinness World Record for Most People Unboxing Simultaneously**

Bagged 2 Awards At IAAPI National Awards For Excellence -2019

1. **Innovative Promotional Activity through Media – OOH – Winner**
2. **Innovative Promotional Activity through Print Media – Winner**

Trip Advisor's Travellers Choice Award - 2020

FICCI Travel & Tourism Excellence Award - 2019

Marquee Attractions Across Parks

ImagicaaWorld

Nitro

India's biggest, largest, fastest and baddest roller coaster

Mr. India – The Ride

India's biggest, largest, fastest and baddest roller coaster

Lanka Dahan at Sai Teerth

India's 1st Devotional Park offering 5D experience

I for India

Beauty of India as you soar across it in this elevated, wide-screen show featuring helicopter perspectives

Rajasaurus River Adventure

India's longest flume ride

Wet N Joy Wave Pool

India's Largest Wave Pool

Deep Space

India's only indoor high – speed dark roller coaster

Wrath of The Gods

India's only blend of Live Theatre, Special Effects & Multimedia

Grand Imagicaa Parade

A truly grand and fascinating experience that appeals to all your senses with magical characters

***Above is a select list of rides and attractions**

Imagicaaworld has indigenously developed **18 unique and interesting characters and merchandise** options

With **150+ attractions, themed shows, indoor & outdoor attractions** offering something for all ages and interests

.....and many more

Thank You

theme park • water park • snow park • hotel

February 18, 2024

BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeeboy Towers	Exchange Plaza, Plot no. C/1,
Dalal Street, Fort,	Block G, Bandra Kurla Complex, Bandra (E)
Mumbai - 400 001	Mumbai - 400 051
BSE Scrip Code: 539056	**NSE Scrip Symbol: IMAGICAA**

Dear Sir/Madam,

Sub.: **Investor Presentation**

Please find enclosed herewith the Investor Presentation on Acquisition of Parks in Maharashtra & Indore.

The above is for your information and records.

Thanking you,

Yours faithfully,
For Imagicaaworld Entertainment Limited

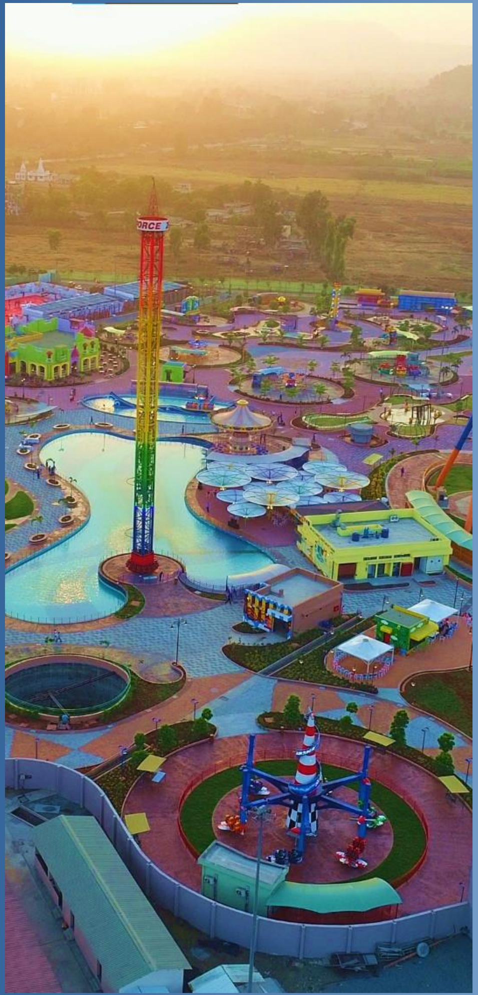
RESHMA VISHWANATH POOJARI

Digitally signed by RESHMA VISHWANATH POOJARI
Date: 2024.02.18 11:46:54 +05'30'

Reshma Poojari
Company Secretary & Compliance Officer

Encl: As above

Imagicaaworld Entertainment Limited
Acquisition Update Presentation



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About Malpani Group

- ✓ The Malpani Group, based out of Sangamner in Maharashtra, is a family-owned diversified business group with interests in FMCG, renewable energy, real estate, hospitality, theme and water parks, and education businesses overall grown across last six decades.
- ✓ The Malpani Group businesses are spread over 50 cities and have a customer reach of over more than 100K, with an employee strength of 5000+
- ✓ The group has both wind and solar power projects across 8 major states. It has >600MW power generation capacity with 497+MW wind power and 113+MW solar power

Park Business

The group owns and operates in **Maharashtra, Gujarat & Madhya Pradesh**, **4 Water Parks** under the brands **Aquamagicaa, Imagicaa & Wet'nJoy**, **1 flagship Theme Park under the brand Imagicaa**, **1 Devotional Theme Park under the name Sai Teerth** & **1 upcoming Water Park in Indore**

Business Portfolio of Malpani Group

Brief on Acquisitions

Selling Entity	**Giriraj Enterprises** - Operates 4 parks with brand name Wet'nJoy & Sai Teerth in Maharashtra, 1 under construction park in Indore along with other businesses
Assets Being Acquired	**4 Operational Parks** – Wet'nJoy Water Park & Amusement Park located in Lonavala; Wet'nJoy Water Park & Sai Teerth located in Shirdi **1 Upcoming Park** – Located in Indore, Madhya Pradesh
Transaction Structure	**Operational Parks – Slump Sale basis** • Rs 630,00,00,000 /- (Six Hundred & Thirty Crores) payable over a period of 30 months beginning 1st April 2024 **Upcoming Park – Asset acquisition; Land on Lease** • Upto Rs 140,00,00,000/- (One Hundred & Forty Crores) at cost for all assets excluding land by 31st March 2024 • Land on lease from Malpani Parks Indore Private Ltd. with lease rentals amounting to Rs 3,80,00,000 /- (3 Crores and 80 Lakhs)
Financials	**FY23 Consolidated for Operational Parks** • Revenue - Rs 125 Cr • EBITDA – 73 Cr • Margins : 58%

Transaction 1: Lonavala and Shirdi Park Business

Imagicaaworld Entertainment Ltd.

Pays a consideration of Rs. 630 crores (on a debt free and cash free basis), **by way of deferred payments in 7 tranches spread across 30 months**

Giriraj Enterprises
(Malpani group firm)

Acquisition through Business Transfer Agreement

Acquisition also included capex of ~Rs 25 Cr already done by G.E. in FY24

Carves out on a 'slump sale' basis as a 'going concern' basis of all park business

Lonavala and Shirdi Park Business

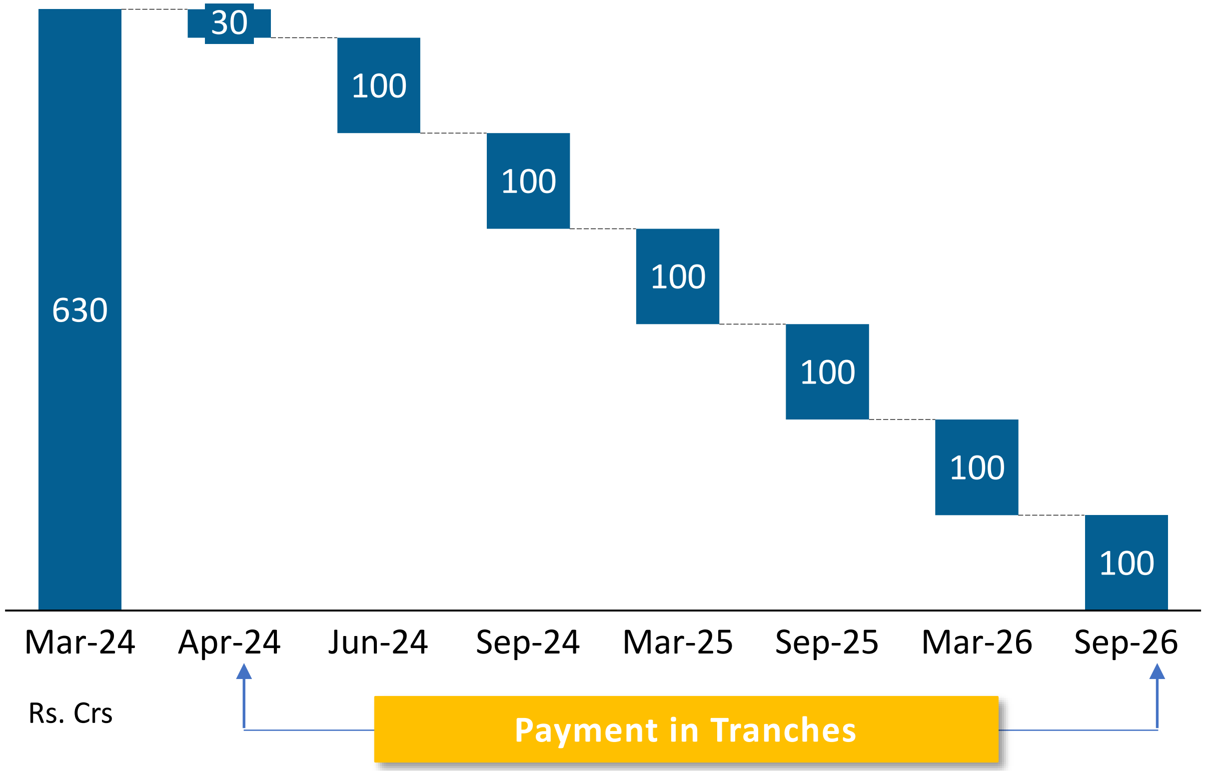
- ✓ Wet'nJoy Waterpark, Lonavala
- ✓ Wet'nJoy Amusement Park, Lonavala
- ✓ Saiteerth Theme Park, Shirdi
- ✓ Wet'nJoy Waterpark, Shirdi

Business Assets forming part of Proposed Transaction :

1. Brand (Wet'nJoy, Sai Teerth) and goodwill
2. Fixed assets including Land, building and roads, Solar energy equipment related to parks, Rides and other plant and machinery Electrical equipment, furniture and other equipment; including any capital work in progress
3. People and management team
4. Operating current assets / Net Current Assets (NCA)
5. Approvals, licenses and insurance policies
6. Any other asset / liability (including liability for Capex Creditors) as is mutually agreed between us at the time of submission of Final Offer

Payment Schedule & Valuation

Payment Schedule



Rs 630 Crores to be paid over 30 months in 7 tranches

Valuation

Enterprise Value	**Rs 630 Crores** (Acquisition done on a Cash free & Debt Free Basis)
EBITDA	**Rs 84.6 Crores** (TTM - Jan-Dec 2023)
EV/EBITDA	**7.4x**

Acquisition will be done at 7.4x EV/EBITDA of the Acquired Business

Transaction 2: Indore Park

Imagicaaworld Entertainment Ltd.

Consideration of upto Rs.140 crores at actuals as on date of closing

Malpani Parks Indore Private Limited (Malpani group firm)

Acquires the park through Asset Transfer Agreement

Imagicaa to apply for capital subsidy of 30% under the MP tourism policy

Transfer of under construction Project with assets being sold and long -term lease of land

Under-construction water park spread across 18 Acres at Indore

Business Assets forming part of Proposed Transaction :

1. All asset excluding the Land Parcel
2. Land to be leased from Malpani Parks Private Ltd. for an annual consideration of Rs 3.8 Crores plus applicable taxes with an interest free security deposit of Rs 1 Crore
3. Transaction expected to complete in the month of March 24

Portfolio of Parks – Pre & Post Acquisition

Current Portfolio of Assets under Imagicaaworld Entertainmnet Ltd.

- **Khopoli, Maharashtra**
  1. Imagicaa Theme Park, Khopoli
  2. Imagicaa Water Park, Khopoli,
  3. Novotel Imagicaa, Khopoli
- **Surat, Gujarat**
  4. Aquamagicaa Water Park, Surat

Parks being Acquired*

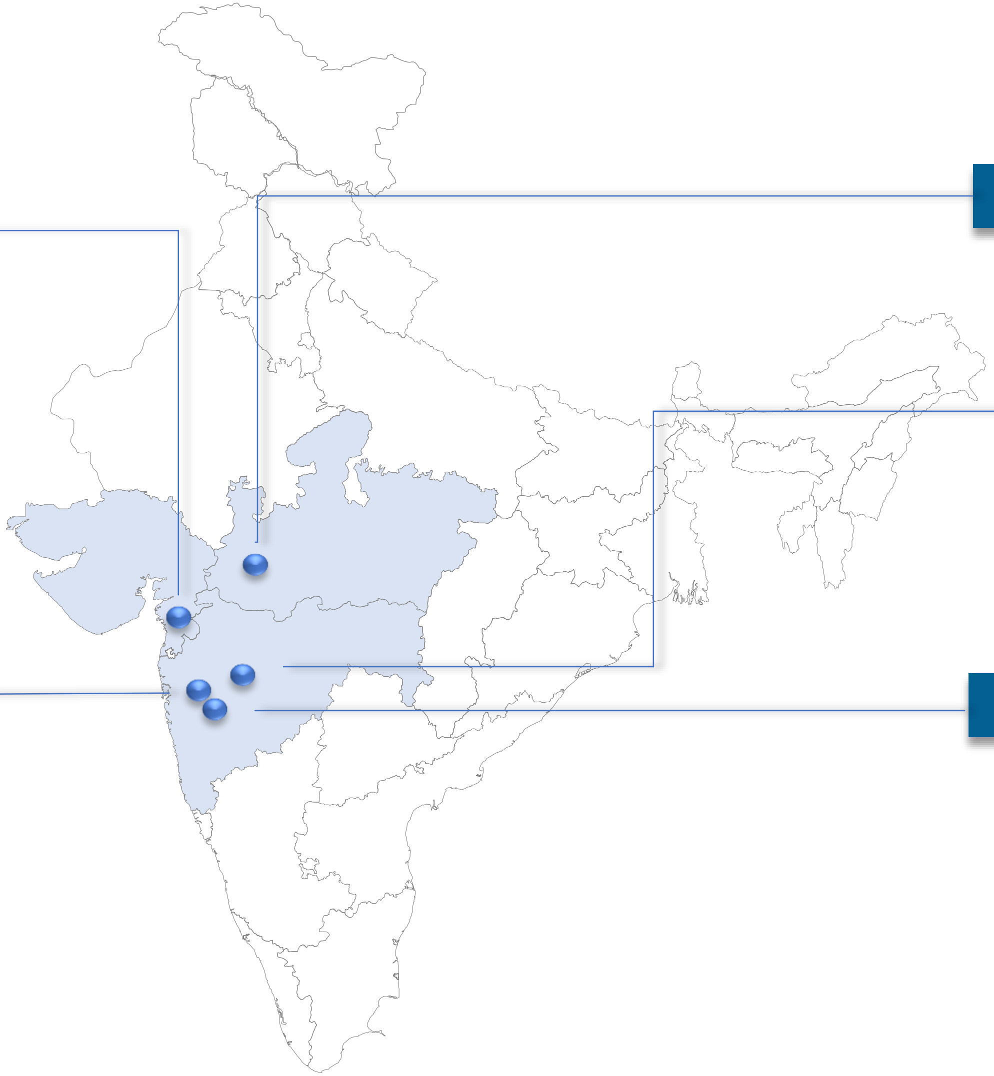
- **Lonavala, Maharashtra**
  1. Wet'nJoy Amusement Park, Lonavala
  2. Wet'nJoy Water Park, Lonavala
- **Shirdi, Maharashtra**
  3. Wet'nJoy Water Park, Shirdi
  4. Sai Teerth Devotional Park, Shirdi
- **Indore, Madhya Pradesh**
  5. *Upcoming Water Park, Indore Madhya Pradesh*

Malpani Group, launched its first park in 2006. Since then, the group has a portfolio of 4 operation parks with WetNJoy & Sai Teerth brand along with 1 Upcoming Park in private space
The Group decided to consolidate all parks in one public entity to establish synergies in the business

*Post acquisition, **Imagicaworld Entertainment Ltd**. will become the biggest Park company in India with its **portfolio of 8 Parks** including a devotional theme park and a **world class 5-star Hotel***

*Subject to necessary approvals

Geographical Presence



Surat, Gujarat

1. Aquamagicaa Water Park

Khopoli, Maharashtra

1. Imagicaa Theme Park
2. Imagicaa Water Park
3. Novotel Imagicaa – 5-Star Hotel

Indore, Madhya Pradesh

1. Upcoming Water Park

Shirdi, Maharashtra

1. Wet'nJoy Water Park
2. Sai Teerth Devotional Park

Lonavala, Maharashtra

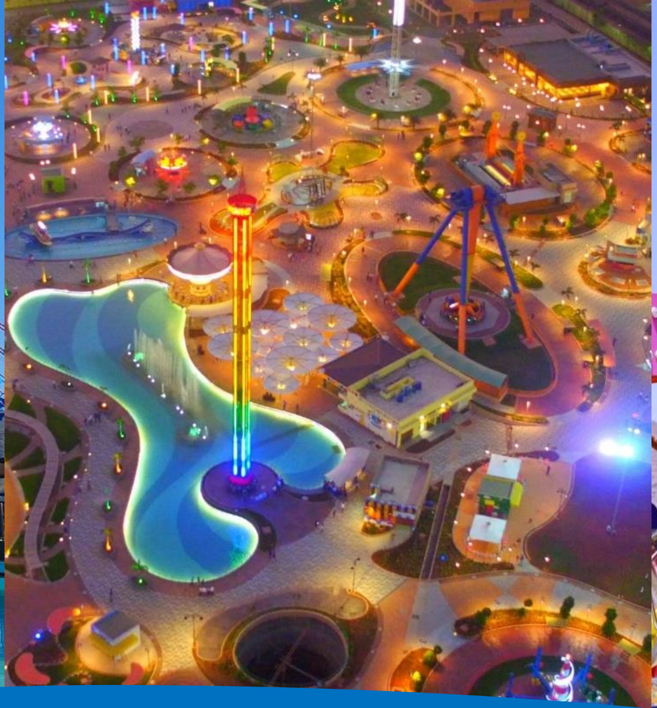
1. Wet'nJoy Water Park
2. Wet'nJoy Amusement Park

Portfolio comprises of – 1 Theme Park, 1 Devotional Park, 1 Five-Star Hotel & 5 Water Parks allowing us to give all kinds of offerings to our guests, enhancing their experience

*Map not to scale

Wet'nJoy Waterpark Lonavala

- Located conveniently between Mumbai and Pune on the Old Mumbai-Pune Highway
- Spread across 30+ Acres of land in the middle of mountains & clouds
- India's largest wave pool
- India's first water coaster
- 26+ International rides from Whitewater West, Canada
- 5 Multi Cuisine Restaurants
- India's first & largest crazy river
- Spread across 47 acres for including Amusement Park with good space available for future expansion

Wet'nJoy Amusement Park Lonavala

- Located conveniently between Mumbai and Pune on the Old Mumbai-Pune Highway
- Spread across 30+ Acres of land in the middle of mountains & clouds
- 29+ rides all from international manufacturers like Moser Rides, Huss Park, Antonio Zamperla
- 5 Multi Cuisine Restaurants
- India’s Tallest Rides – Turbo Force and Z Force
- India’s Biggest Giant Frisbee

Wet'nJoy Waterpark Shirdi

- Situated at prime location just 1.5 km from the Shirdi Temple
- 25 Rides for Family/ Kids & High Thrill
- 8 new rides to be operational by March 2024
- 2 Multi Cuisine Restaurants
- Spread across 9 acres of land

Saiteerth Devotional Theme Park Shirdi

- Situated in the holy town of Shirdi just 1.5 km from the Shirdi temple
- India’s First Devotional Theme Park
- Received Travelers Choice Award in 2023 and has 4.8 rating on Google
- With 4 major attractions, Sai Teerth offers you the opportunity to explore and relive Sai Baba’s life like never before - Sai Teerth as Dwarkamai, Lanka Dahan, Sabka Malik Ek, and Teerth Yatra
- Largest 5D theatre in India offering Experience of Lanka Dahan
- Animatronics show imported from London
- New Laser show launched in December 2023
- 2 new shows to be completed in Q1 FY25

Under Construction Water Park Indore

- Indore is strategically well located to tourist destination and is the 15th largest city in India in terms of population.
- Park spread across 18 acres
- 20+ water rides
- 3 multi cuisine restaurants with banquet
- Operations expected to be commenced from Q1 FY25

Key KPIs – TTM#

	Imagicaa	+ Wet'nJoy, Sai Teerth Theme Park	= Imagicaa + Wet'nJoy + Sai Teerth Theme Park	
Parks #	3	4	**7**	**2x**
Footfalls (In Lakhs)	13.6	14.2	**27.8**	**~2x**
Revenue (In Crs)	257.3	148.7	**406.0**	**1.5x**
EBITDA (In Crs)	93.6	84.6	**178.2**	**~2x**
EBITDA %	36%	57%	**44%**	**Margin Improvement**

Growth ahead

Imagicaa has completed **>Rs 30 Cr capex in FY24** adding **Grand Musical Fountain Show at Theme Park** and **6 new rides at Water Park**

Capex of **~Rs 25 Cr** done to add **21 new rides and attractions across Wet'nJoy and Sai Teerth parks**

Upcoming park at Indore to add to the growth with **20+ rides and 3 multi cuisine restaurants** including **a banquet spread across 18 acres**

TTM refers to period from January 23 to Dec 23

* KPI's are of operational parks. This excludes Indore Park which is yet to commence operations.

Transaction Rationale

Increased Bouquet of Offerings

Enhanced guest offerings with a combination of Theme Park, Amusement Park, Water Park, Devotional Park & a 5-star Hotel

Strong Financial Strength

Larger Balance Sheet Size, >1.5x Revenue, >2x Footfalls and EBITDA, Higher EBITDA Margins & Stronger Free Cashflow

Strategic Alignment and Foc

Consolidation of both business allows better focus on core competencies and leverage each other's strengths along with seamless future expansions

Increased Geographical Presence

Clear dominance in Western India, with expansion plans in central and north India
Enhanced visibility and brand presence

Growth Potential

Exploit fruits of the capex already done in Wet’nJoy Water Park in Lonavala and Shirdi
Leverage our marketing expertise to get better growth from under utilized Amusement Park and Sai Teerth

Business Synergies

Leverage cross-park offerings to boost repeat visits and spending; share intellectual property between parks and exploit cost synergies through reduced overheads, enhanced procurement power, and pooled expertise

Imagicaa 2.0 – A leading Entertainment Destination

1

Strong Management

Renowned across the country with **2 decades of experience in the Park Business**

2

Additional Capex Done

Wet'n Joy & Sai Teerth have added 21 new rides & attractions at their parks; Imagicaa too added **Musical Fountain show at Theme Park** & **6 new rides at Water Park**

3

Improved Financial Strength

The consolidation of **3 Imagicaa parks and 4 operational parks of Wet'nJoy and Sai Teerth** will immediately **double the footfall and EBITDA**, while **revenue will be 1.5 times**

4

Indore Park

The new park in Indore, **spread across 18 acres** between two major cities, Indore and Ujjain, will contribute to our growth with **20+ rides and 3 multi cuisine restaurants**

5

Larger Portfolio of Parks & Hotels

Post acquisition, Imagicaa will have a larger portfolio including **8 parks and 1 Five-star hotel**

~28 Lakhs	100+	10+	287	15+
Combined Footfalls	Attractions	Banquets	5-Star Hotel Rooms	Multi Cuisine Restaurants

Largest Amusement & Water Park Player in the India

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"Business Update Conference Call of Imagicaaworld Entertainment Limited"

February 19, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 19, 2024 will prevail

MANAGEMENT: **MR. JAI MALPANI – MD, IMAGICAAWORLD ENTERTAINMENT LIMITED**
MR. DHIMANT BAKSHI – CEO, IMAGICAAWORLD ENTERTAINMENT LIMITED
MR. MAYURESH KORE – CFO, IMAGICAAWORLD ENTERTAINMENT LIMITED

Moderator: Ladies and gentlemen, welcome to Business Update Conference Call of Imagicaaworld Entertainment Limited.

This Conference Call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements do not guarantee the future performance of the Company and it may involve risk and uncertainties that are difficult to predict. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jai Malpani – Managing Director of Imagicaaworld Entertainment Limited. Thank you and over to you sir.

Jai Malpani: Thank you. Good afternoon, ladies and gentlemen.

A very warm welcome to our Acquisition Update Conference Call. Along with me on this call I have Mr. Dhimant Bakshi – CEO, Mr. Mayuresh Kore – CFO and SGA our Investor Relations Advisor.

Before we commence, I would like to express our gratitude for this valuable opportunity to address our esteemed investors and analysts today, marking our first interaction since the restructuring of our operations a couple of years ago. We deeply appreciate the unwavering support from all those who have believed in us throughout this journey and we look forward to continuing our engagement moving forward.

India has been witnessing a very strong economic growth. Household income is also increasing significantly and expected to increase in high single digits, leading to high discretionary spending in India. India is on the cusp of multi decade growth in some of the consumer discretionary categories. In the last decade India's infrastructure investment has considerably improved connectivity boosting domestic tourism. Over 40 cities with populations of over 1.5 million have formed clusters fostering economic and cultural exchange. Additionally, increased consumer demand for leisure-related activities puts us in a very pivotal position. Having a dominant position in India's theme and water park market, we aim to reach a diverse audience with adhering to our 3C strategy, that is focusing on urban clusters, expanding catchment areas and locating in strong connectivity areas for sustained growth and success. At Malpani Group we have been actively involved in the park business since 2005, consistently running all our paths with success and profitability.

Post our acquisition of Imagicaa in 2022, I am thrilled to share that the Company has undergone a remarkable transformation over the past 2 years, emerging as a beacon of innovation and excitement in the park industry. With strategic vision and dedication, we have revitalized operations to create a new identity that captivates and delights guests of all ages. To further enhance the offering, I am delighted to announce that we are acquiring a total of four operational parks including two water parks under the brand name of Wet N Joy Water park in Lonavala and Shirdi, one amusement park in the brand name of Wet N Joy Amusement Park in Lonavala and one devotional theme park Sai Teerth which is one of its kind parks in India for a consideration of total Rs. 630 crores which is payable over a period of 30 months. The acquisition also brings headwinds arising from the recent CAPEX of approximately Rs. 25 crores incurred in these parks by Giriraj Enterprises which is a Malpani Group entity. Additionally, the Company is also acquiring an upcoming water park in Indore for a consideration of Rs. 140 crores from Malpani Parks Indore Private Limited.

These acquisitions are a part of our strategic goal to combine all our park businesses into one entity and a cornerstone of our vision to emerge as the leading and the most dominant name in the entertainment sector across India. These acquisitions mark a significant increase in the bouquet of offerings encompassing a diverse array of attractions including India's largest theme park, a devotional park, an amusement park, a luxurious five-star hotel and a total of five water parks. With the combined strength Imagicaa will have presence in five locations with eight parks, a total of 2.8 million footfall and over Rs. 400 crores of revenue more than 175 crores of EBITDA. This expanded range of offerings allows us to cater a wide spectrum of guests, ensuring that everyone, regardless of their preferences, can find an experience tailored to their desires within our establishments.

Building on a dominant position in Maharashtra, we are expanding our footprint into other states. With the successful launch of our Aquamagicaa Water park in Surat last year and the upcoming addition of one more water park Indore, our aim is to replicate success and establish a strong presence in these new territories, mirroring the dominance we have achieved in our existing parks. With these acquisitions all our park businesses will be consolidated under one entity, making us the largest player in the industry. Going forward, all the expansions and acquisitions for the park business will be done under the listed entity only. With unwavering commitment and boundless potential, we embark on this journey united, ready to redefine the standards of excellence and create unforgettable experiences for all our guests.

I now hand over to Mr. Mayuresh Kore who will take you through the deal contour and operational synergies.

Mayuresh Kore: Thanks Jai. Good morning, everyone. It's a pleasure interacting with the investor community after a few years gap.

Today as we speak, we are seeing a completely new avatar of Imagicaa with a stronger and experienced management, stronger financials and a commitment to deliver unforgettable experiences to guests nationwide.

To start with I would give a brief on the numbers and the timeline of completion of these acquisitions:

Firstly, on the acquisition of the four Wet N Joy parks:

These transactions comprise of acquisition and purchase of the business undertaking pertaining to two water parks, one devotional theme park and one amusement park owned by the flagship Company of Malpani Group which is Giriraj Enterprises, and this is on a slump sale basis. These parks are located at Lonavala and Shirdi in the state of Maharashtra. The aggregate lump sum purchase consideration for this transaction is Rs. 630 crores. The transaction is on a debt free and cash free basis. The consideration is to be paid over a period of 30 months beginning April 2024. The transaction is being done at arm's length based upon independent valuation reports.

Talking more about the financials of these parks:

All these four parks reported a combined revenue of Rs. 148.7 crores and an EBITDA of 84.6 crores with EBITDA margins standing at a solid 57%. These numbers are on a trailing 12-month basis. Thus, this acquisition is being done attractive valuation of 7.4X at EV EBITDA multiples.

Coming to the second transaction which is the acquisition of upcoming Indore water park:

This transaction comprises of purchase of the assets and properties pertaining to the water park being constructed by Malpani Parks Indore Private Limited which again is a Malpani Group entity. This transaction comprises of purchase of all the properties in this project except the underlying land and the aggregate consideration will be Rs. 140 crores. The park is spread across 18 acres of land which will be on a long lease from Malpani Parks Private Limited and the annual consideration will be rental of Rs. 3.8 crores and a security deposit of 1 crore.

To give you a brief about this location:

We all know that Indore as a city is a well-known business and a tourist destination. It ranks as the 15th largest city in terms of population, and this gives us a great opportunity to offer our experience to the people of Indore as well as the rest of Madhya Pradesh and central India. The location where the park is coming up is a prime location between two major cities 15 km away from Indore and it's about 45 km away from Ujjain. The park will have 20 world class water rides and three multi-cuisine restaurants along with banqueting space.

This transaction is expected to be completed in the month of March 2024. Park is set to commence its operations in Q1 of FY25. Post this acquisition, we will double our footfall and EBITDA, Revenue increases by 1.5X. We are confident of generating strong cash flows in the combined entity. These acquisitions are to be funded through a combination of internal cash flows, debt and equity. The numbers for these acquisitions will be consolidated in our books with effect from 1st April 2024. This acquisition strengthens our financial position with a larger balance sheet size, robust revenue growth and enhanced profitability. It also aligns with our strategic focus allowing us to consolidate our strengths across various entities, streamline business operations and drive seamless expansions. With a strong geographical presence across western India and plans for further expansion into central and northern India, our brand visibility and market dominance are set to soar.

Additionally, we anticipate significant business synergies:

We will leverage cross park offerings, optimize resources, negotiate better procurement deals, leverage our expertise and share the IPs that are held in these various entities. Together these synergies pave the path for unprecedented success, innovation and guest satisfaction and we expect these will catapult us to the forefront of the entertainment industry.

With unwavering commitment and immense potential, we embark on this journey united ready to redefine the standards of excellence and create unforgettable experiences for all. Thank you for joining us on this thrilling adventure towards a brighter and more captivating future.

This call is only related to the present acquisition, and we would expect Q&As on this subject only.

With this we open the floor for questions. Thank you.

Moderator: Thank you very much. We now begin the question-and-answer session. The first question is from the line of Dhruvesh Sanghvi from Prospero Tree Financial Services.

Dhruvesh Sanghvi: With this entire exercise is it like expected to get completed in 6 to 12 months or more?

Mayuresh Kore: Yes, so the exercise we mean the transaction and the documentation are expected to get completed in the next 2 months and obviously, we have a deferred payment schedule. So, the integration of these parks commercially will start with effect from 1st April 2024. So, the effective date will remain as 1st April, 2024. We are expecting shareholders' approvals to be there in place within a month's time in the month of March and definitive agreements will be executed at that juncture as well.

Dhruvesh Sanghvi: The second thing is that in general Malpani Group is a very cash rich or a very balance sheet positive group. So, the kind of money that is going to the Malpani Group, is it expected in the future that similar sort of land buying will happen on the personal entity which will be leased out to the Imagicaa entity or if there is something on that line? Because I'm sure you will be trying to expand the number of parks by double in the next 4-5 years. So just some thoughts around that.

Jai Malpani: Currently we are open to all sorts of possibilities. We are even exploring lands with governments in case they lease out lands to us on long term basis. So, we are currently open to all sorts of possibilities on all this front.

Moderator: The next question is from the line of Parin Gala from SageOne investment.

Parin Gala: I just have one question. Our CEO mentioned that this transaction will be a combination of internal cash plus equity and debt. Can you just give some kind of a breakup? What will be used where and when you say equity, so is there going to be a round of fundraising?

Mayuresh Kore: So currently we are a debt free Company, and we are open to a moderate level of debt which will not exceed 2X of the EBITDA. The balance contributions will be funded from a mix of internal accruals and if any external equity required because the timing of the structuring is done such that the payment is to be over a period of 30 months. So, we don't anticipate too much of requirements apart from that. But yes, we are open to a moderate level of debt, and we have good internal accruals combined from both of these projects which will help us fund the consideration.

Parin Gala: So, no fresh fundraising, no fresh equity?

Mayuresh Kore: We are exploring various options at this juncture and as of now we have time to decide that. So, we will keep you posted in the near future.

Moderator: Next question is from the line of Vipulkumar Shah from Sumangal Investments.

Vipulkumar Shah: My question is, can you share the EBITDA and revenue numbers of entities we are acquiring for last 3 years?

Mayuresh Kore: So just to give a brief background. The flagship water park, these parks have opened at various points. So, the park at Shirdi has been operational since 2005 called Wet N Joy. The Wet N Joy water park opened in 2016. The amusement park opened at Lonavala in 2017-18 and has been a WIP and then Covid came. So, what we are referring to is the current trailing 12-month numbers. We can share the full FY23 numbers as well which actually makes sense because the parks were under a ramp up phase especially the Lonavala amusement park. So, I think we can share that in due course. Since the queries come in, so FY23 the EBITDA was 73 crores and the trailing 12 month as we mentioned earlier in the call is 84.6 crores for this parks to be acquired.

Vipulkumar Shah: So, 73 crores for previous year for all four entities together.

Mayuresh Kore: Yes.

Dhimant Bakshi: So, it's almost 58% kind of EBITDA margins.

Vipulkumar Shah: And regarding your Indore parks the acquisition why this land is not transferred along with land will remain with the Malpani Group only, right?

Mayuresh Kore: So that's a very valid question.

Vipulkumar Shah: What is the rationale of not transferring the land also.

Mayuresh Kore: So that's a very valid question and we appreciate that. At this juncture while we've done a slump sale of all the existing parks for the Wet N Joy operational parks and a slump sale, we include all the assets. We cannot cherry pick the assets. But in case of going ahead expansions, we are looking at options wherever we don't have to deploy significant capital into land. And if there are lease options, be it even with government entities, we are discussing at various state governments. So, we will prefer lands wherever they are available on lease where we can focus our capital deployment on the creating the entertainment value in terms of the rides and attractions rather than blocking money into the underlying land wherever there is an option.

Jai Malpani: And the term gives an option to the Company to acquire the land, so that option is still there. So currently looking at the cash flows we thought it is better for the Company to lease it and then potentially buy it at a further point in time.

Vipulkumar Shah: And my last question is what should be the gross block of these four entities and the Indore park, when it becomes operational what kind of gross block it will have?

Mayuresh Kore: So, in our books the consideration for the acquisition of 630 crores which will be there and plus 140 crores for the acquisition of the Indore parks which is basically we are only reimbursing or the actual cost incurred for this project under construction water park is what we are buying from the Malpani Group. So combined of this is 770 crores.

Vipulkumar Shah: No, that is the acquisition value in rupees. I am talking about gross block.

Mayuresh Kore: So, this is the gross block that will come into my books.

Moderator: Next question is from the line of Tushar Raghatate from Kamayaka Wealth Management.

Tushar Raghatate: My question is in regards to debt. As you recently signed the MoU with Goa and Uttarakhand Government. I just want to understand how the peak debt would look like in FY25? So that would be my first question.

Mayuresh Kore: So glad to note that you have been tracking the expansion or the discussions of the Company. So, Goa we have not signed an MoU. We are in discussions with the industries department for looking at various options. In Uttarakhand we've signed an MoU which is an in-principle interest to set up a park in the state of Uttarakhand. So, both of these have not moved ahead into definitive stage. But yes, answering your question, in the medium term we are not expecting debt levels to increase more than 2x-2.5x of our EBITDA and that is something we will continue to stick to it in the immediate future.

Tushar Raghatate: In terms of your branding, like the marketing expense as a percentage of your sale, how do you see that in next 2 years? And how do you planning to leverage the Imagicaa brand going forward?

Dhimant Bakshi: So, the overall marketing expense when we look at advertising marketing and the sales distribution, we think we will be able to maintain it sub 10% kind of an overall cost to acquire. And with new parks such as Indore where we would require the additional marketing impetus considering introduction to a new city. Yet we think with the combined synergies sub 10% is what we will be able to maintain. As you would have seen that over last 2 years, we've been able to constantly monitor the spends very effectively and targeting and utilizing digital media as a stronger medium as you would see the overall impact.

Tushar Raghatate: Just want to understand this devotional amusement park, what EBITDA margin is the range for this business?

Jai Malpani: So, for the devotional park in Shirdi we are in the range of 30% to 40% of EBITDA margins. And that park has a good potential to grow because it's a very new park. The concept is new altogether. Going ahead we'll see a good increase in footfall in Shirdi park as well.

Tushar Raghatate: This new park near to Indore so what sort of margin profile are we seeing? Is it accretive? How is the plan?

Dhimant Bakshi: So, the margins for the upcoming Indore park will be in lines with the current Imagicaa margin structure to begin with considering the new introduction would require that additional impetus as well as the time for the format to mature in the city of Indore. So, we think it will be in the region of about 40%-45% kind of a margin structure to begin with. As and when you'll see over a period of 2 to 2.5 years the margins will start improving northwards.

Tushar Raghatate: Do you have any landbank near Imagicaa?

Dhimant Bakshi: Yes. So, in the current park we have kept elbow room expansion of almost 7.5 to 8 acres of land available. As well as in the current theme park, we have space for three attractions that we can introduce as such. I hope I answered your questions.

Tushar Raghatate: Yes sir.

Moderator: Next question is from the line of Rusmik Oza from 9 Rays EquiResearch.

Rusmik Oza: My question was on the Indore property, I think we have spent around 140 crores, that's the equation cost and still work in progress. So, what are the total CAPEX for this Indore park till the time it gets commissioned?

Mayuresh Kore: The total capex will be 140 crores. So, we are taking it on as is. It's a completed park, once all the cost which are factored in will be included in this 140 crores. Currently at a very advanced level but it will not cross 140 crores to begin with.

Rusmik Oza: And second question, any debt of the acquired entity that is coming in the books of Imagicaa?

Dhimant Bakshi: No there is no debt and essentially, it's debt free.

Rusmik Oza: And so last question for my side, do we have any excess land available near this Khopoli Imagicaa park which can be monetized in future?

Dhimant Bakshi: So, the current amount of land bank which I mentioned is kept for elbow room expansion and there is no further land for monetization, and we do not see an immediate requirement to have.

Moderator: Next question is from the line of Gaurav Gandhi from Glorytail Capital Management.

Gaurav Gandhi: My first question is can you explain the rationale behind the decision? Because this theme park at Lonavala which we have acquired is only at a distance of one hour. So why should pay so much price to acquire in that same area? Why not develop the park in a different state or a different area where there will be more potential? Because this is in the immediate vicinity I see. Can you explain the rationale behind that?

Dhimant Bakshi: Yes. So, there are two rationales, if I were to answer your question. One is that as a group the overall objective and the focus is to put all the park businesses and the entertainment verticals under one umbrella of the listed entity. So that the group's focus is always on to building the listed Company as an entity. So that being one and second being if you look at worldwide places such as Orlando or the Gold Coast kind of places where there are multiple parks within one region, but all the parks continue to do well. So, we believe that by doing this integration and consolidation, the group has a stronger presence in the western region and the synergies that would kick in for the group would be better rather than operating having two separate teams doing separate activities or there is sales and marketing unification. There are various levers that you will see being added and the primary reason being group's commitment and focus to build a listed Company as a bigger organization and what you've been really focusing for.

Jai Malpani: And Gaurav just to add to that, from Imagicaa perspective the revenues and cash flows start flowing into Imagicaa from day one. Usually, to make four different parks at this scale will take a good amount of time. So, for Imagicaa it's a beneficial deal because at a good price the cash flows there's no risk of execution at that point in time. These are parks with historic performances and proven EBITDA. So, adding those into Imagicaa will give more cash flow to Imagicaa itself.

Gaurav Gandhi: And this Shirdi water park which we have acquired is like matured park now. So how we are going to drive the growth in footfalls there? Also, can you share how much footfall growth and average revenue per user growth do you expect in FY25 in overall terms including the Indore park?

Jai Malpani: So, for Shirdi water park as you rightly said actually, we have spent 25 crores in the last current financial year adding new attractions and rides across all our parks. So, in Shirdi water park we have added eight new water slides to revamp the park and kind of give our guests a new reason to come back to the park. So, with eight new water slides we are seeing increasing in capacity of the park as well as repeat footfall should go up significantly over there. So, we see some good growth in that particular park. Along with that we have also added a lot of retail which will start from 1st of April and a lot of new F&B options. So, our ARPUs are expected to go up because of these new additions as well.

Gaurav Gandhi: And how much footfall the Indore park will be adding in FY25, a ballpark figure can you give?

Dhimant Bakshi: I think it will be a better thing to say FY26 because by that time the park would have really seen the full year of operations. So, we think somewhere around 3.5 lakh, around that number is what we expect in the first year of full operations.

Gaurav Gandhi: And just a suggestion to keep watch on the equity dilution happening for investors. Thank you very much and all the best. It's actually a proud feeling for us that such a new big group is emerging from small towns of the country.

Moderator: Next question is strong line of Anant Mundra from Mytemple Capital Advisors.

Anant Mundra: I just wanted to understand what is the nature of the underlying land in the four operating projects that we are acquiring. Is it a leasehold land or is it a freehold land?

Mayuresh Kore: So, these are all freehold lands. We have about 47-48 acres in Lonavala and about 13 acres in the heart of Shirdi for the Sai Teerth and the Wet N Joy parks in Shirdi. Totaling 61 acres is what we get of freehold land.

Anant Mundra: They don't have any kind of lease from the state government. So, we don't pay any lease rentals or anything of that sort of lease, right?

Mayuresh Kore: No, definitely not.

Moderator: Next question is from the line of Rajan Shinde from Mehta Equities Limited.

Rajan Shinde: How about the pipeline inorganic growth strategies if they have planned anything and how will we fund it?

Jai Malpani: So, for inorganic acquisitions in the future if there are parks which are open for acquisitions we are always on the lookout. And in case some good parks which fit our quality standards, we are open to those acquisitions. It can be funded through a mix of debt and equity we can fund these parks in the near future.

Rajan Shinde: What the current consolidated debt on the books post-acquisition would be?

Mayuresh Kore: At the point of acquisition, we currently do not have any debt. But yes, to make the committed payments we've mentioned that we could leverage to around 2-2.5x of EBITDA of the combined entities.

Rajan Shinde: So, the total debt would be then?

Mayuresh Kore: At the combined level if we add up both EBITDAs of these entities, so combined debt could be in the range of 350 to 400 crores and remaining would be funded from the internal accruals of these parks.

Rajan Shinde: There was news of developing Lonavala Hill points like Tiger points, is Imagicaa is participating in these projects also?

Jai Malpani: No, not to our knowledge. But yes, since you mentioned we'll just check out on this. But yes, Imagicaa is not associated with it and at Malpani Group also we just have no involvement in this, but we'll definitely check out if there's such development.

Rajan Shinde: Regarding the acquisition, total the acquisition would be paid as you told earlier in the span of nearly 30 months, right? So how the Imagicaa will generate such profits and pay off to the seller, can you put some light on that?

Dhimant Bakshi: As you would reckon that from 1st April 2024 itself, we not only be able to utilize the EBITDA and the cash in hand of Imagicaa listed Company but the revenues and the EBITDAs of the acquired park also, the proceeds are part of the listed Company. We think that over the period of 30 months that we have the agreed tranches of payments. There will be utilization of these free cash flows that we generate and as you would notice that for the new acquired parks, the EBITDA that we generate is almost the free cash flows to the Company in terms of accruals. So, we should be able to be comfortable as far as the payouts are concerned as well as the Company would be availing the limits from the lending banks. However, we will utilize based on judicious discretion to ensure that while the limits are required, we may not want to utilize to the fullest. That would be our strategy and approach. However, like the question that was there earlier, if there are any inorganic or any other such arrangements that we get, we would be open to that as well. The point that you may want to note is that there are no taxes payable since the Company also has the carry forward losses that Company can utilize as tax shield. So free cash flow benefit out of EBITDA is what we think would really help us tide this over the entire transaction well. I hope I answered your query.

Rajan Shinde: Yes sir. One last question. Can you put some light, how the Imagicaa will totally looks like after the acquisition in simple?

Dhimant Bakshi: Your Company would be almost you can say one of the largest listed companies in this entertainment space with revenues upward of 400 odd crores, with the EBITDA almost touching about 200 kind of crores EBITDA. So, a healthy 48% to 50% kind of EBITDA margins with few more projects in the anvil. So, I think it will be something you can say almost among the top two companies that you would see in the space of this category.

Moderator: Next question is from the line of Binoy from Sunidhi Securities & Finance.

Binoy: First question is the consideration of 770 crores, is it entirely to be paid in equal installments or is there any front ending of the same or back ending of the same, anything like that?

Mayuresh Kore: Thanks Binoy for your query. We've uploaded the investor presentation a couple of days back, so I think that will have the schedule of payment. So, 140 crores of the Indore is kind of upfront payment but the 630 crores of consideration for the existing parks, it's staggered over the 30 month period and we put the actual schedule up on the presentation. So, at the sign up we only to pay 30 crores and within the quarter we have to pay additional 100 crores. For the remaining payments is staggered into tranches of 100 crores every six months. So, the schedule is put up on the presentation for your consumption.

Binoy: And the second question was do we see any cost synergies from eliminating duplication of resources after this acquisition?

Jai Malpani: So, Binoy we see a lot of good cost synergies coming into play. First of all, our senior team we'll have a common senior team across parks that would lead to good 10% to 15% of cost synergies on that front. Along with that our back of the house operations like purchasing, HR, accounts, finance, sales. We are consolidating into one location which will work for all the parks. So that operating leverage which has to come into play for all the parks that will come into play as well. And our procurement will go up because when we are negotiating for so many parks at the same time over there, we'll see roughly up to 15% of cost saving and then for agent payout transaction cost. Since we are operating seven to eight different parks at the same time, we'll see again some good cost synergies on that front. Along with that since we are operating in the same location in Maharashtra for the four parks, we can have things like common passes or a super pass where customers can visit different parks at the same time or in the full year. So, these would lead to a lot of repeat visitation across all our parks, and we can cross sell and upsell to the guest based on this.

Binoy: Is there any number that you can share in terms of the total cost savings as well as the revenue synergies by cross selling upselling?

Mayuresh Kore: At this juncture we don't want to quantify this number. But yes, on the various heads that we mentioned right from advertising, right from manpower and various other synergies, I think in the coming quarters we'll have a better sense of those numbers which we can share with you.

Binoy: Now the last question is on the Indore water park that will be coming up. You said that you expect after first full year of operations footfalls of roughly about 3.5 lakhs. What is the ARPU that you are targeting in this park? Will it be very similar to what is Wet N Joy's ARPU, or will it be lower?

Jai Malpani: So, the ARPUs will be in the range of Rs. 900 to Rs. 1000 to begin with. So that is what we are targeting. And just to add to that our Indore park has a capital subsidy of 30% which Imagicaa will avail. So that 140 will eventually come down by roughly 30% on fixed assets. So that number we are likely to see go down in the next coming 3 to 4 years.

Binoy: And this subsidy will flow in over what period of time?

Jai Malpani: It will flow over a period of 3 to 4 years.

Moderator: Next question is from the line of Faisal Hawa from HG Hawa & Co.

Faisal Hawa: What will be ROC and ROE of the combined entity going forward? And is it not possible that the Company could actually do these 100 crores payments from EBITDA itself by really being very tight on finances and being very cost conscious? Second point is on the strategy front, Imagicaa and Wet N Joy are like two very separate brands. Imagicaa is very much like international quality theme park whose rides are almost on par with Disneyland and Wet N Joy is much more towards the masses. So, having managed a product which is more towards the masses, how will we really have the wherewithal to manage very niche and upper-class product? Because these are two very different markets even though it is within theme parks segment. And secondly sir what is the bigger vision of the Company? Do we want to be at least 25 to 30 cities in the next 10 years? And the promoters could have actually merged the Company and probably raised their holding also, but they have decided to take the cash out of it. So, what is the rationale behind that?

Mayuresh Kore: So, there are multiple questions. Yes, so we'll take it. I'll not go sequentially. I'll answer your last question first. The promoter holding currently stands on a fully diluted basis at 74.5%. So nearly at 75%. So, a share swap wasn't a structure that was feasible at this juncture, else we would have preferred that. Hence the cash consideration. However, it is deferred unlike any other acquisition which you will see. You're getting the business upfront but yes you got 30 months to pay. So, the present value actually is much lower than what would come out. Second part is in terms of managing these different segments, just to advise the operating teams remaining the same, they are already positioning and selling those respective parks at various levels, and we don't foresee any constraints because the entity now is being combined.

I mean whatever is being done in terms of the sales force at the ground level. Dhimant you may want to add.

Dhimant Bakshi: So, as it was mentioned earlier, there are a couple of new attractions which are being introduced in Wet N Joy, Lonavala amusement park. And new introductions are something really worth waiting for because they are kind of state-of-the-art attractions that are being added and that becomes a part of this entire investment and inventory that we will be able to get. Secondly, if you will see that Wet N Joy amusement park opened just prior to Covid. Therefore, it had not really seen a proper full year of operations and based on various feedback that were received from the guests as well as certain new introductions which were in the pipeline that all is getting commissioned in this year. So, you will see that FY25 full year of operations will actually be able to enjoy the complete efforts and investments that were being made by the group as a full year of operation now. Secondly it is really not a mass park in terms of the original design. However, as it was in pipeline in terms of completion, what you will see now is a very different experience and something that would be nice from a guest experience and the quality point of view also.

Faisal Hawa: Sorry to interrupt but are we trying to say that now Wet N Joy will be a very upmarket product?

Dhimant Bakshi: No, I would not say very upmarket but yes from what you would have seen it will go at least two to three notches above.

Faisal Hawa: We are now aiming for a different income group only.

Dhimant Bakshi: Yes. And what it would also do is that as I was explaining, since it was in development in the pipeline that were being initiated this is the full year of operations that you are going to see. So, whatever that we've seen of Wet N Joy amusement park, it is going to get better from here.

Mayuresh Kore: In terms of the return for any inorganic acquisition or any expansions we are looking at IRRs in the range of 18% to 20%. And because of the high capital base high asset base of Imagicaa the return on capital employed and all will take some time to make sense. On the overall vision that you mentioned for going into other parts of India. I think Jai if you could just throw some light on the question that you mentioned about multiple cities that we are looking forward.

Jai Malpani: Our vision is to go across India in all the Tier-I and premium Tier-II cities across India. And we are evaluating various different options with state governments. We are evaluating options in the NCR region, Gujarat, Goa, Punjab, Tamil Nadu. So, we are in talks with various different governments at this stage. So, the vision is to go across all different Tier-I cities and selected Tier-II cities. And with the current acquisition being done we have a bouquet of offerings now. We have a devotional theme park. We have a theme park. We have an amusement park. We have a water park. So based on the demographics the city and the location we can play around with various different offerings since we have the learning curve and experience operating all these things. So, it will be a good advantage for us to kind of have a good mix and match of these formats based on the location.

Moderator: The next follow up question is from the line of Dhruvesh Sanghvi from Prosperotree Financial.

Dhruvesh Sanghvi: In terms of branding, are we going to use Imagicaa as a title brand even for Wet N Joy? Something like Imagicaa Wet N Joy or any thoughts on that? And what will be the branding for the future parks?

Dhimant Bakshi: Yes, so we would not be using Imagicaa Wet N Joy kind of combined name. We will allow the brands to remain independent. For future parks the flagship kind of parks which are larger in size and scale is where the thought is to use Imagicaa as a brand. And we also have three more brands in our portfolio. So, we have Imagicaa, we have Wet N Joy, we have Aquamagicaa, we have Sai Teerth and Magic Mountain. So, these are our portfolio of brands. So, depending on the format and the size and scale and the city profile, we will be utilizing the brands selectively.

Dhruvesh Sanghvi: And what would be the current cash on books of Imagicaa?

Jai Malpani: At this point we have 70+ crores cash on our books.

Dhruvesh Sanghvi: And no debt because you've mentioned we are debt free?

Jai Malpani: Yes, we are debt free.

Moderator: Next follow up question is from line of Rusmik Oza from 9 Rays EquiResearch.

Rusmik Oza: I wanted to understand the breakup of revenue Imagicaa of the acquired assets possible. The question I'm asking why is because Imagicaa EBITDA margin is 36% and, in the presentation, you're showing 57% EBITDA margin for the acquired assets. Now within the acquired assets in the call you mentioned that the Shirdi Sai Teerth park is generating 35% EBITDA margin. That means your Wet N Joy Lonavala and Surat, is it that it's making more than 57% EBITDA margin? Just to get a granular breakup of the margins of per park it would be helpful.

Mayuresh Kore: So, you're right about the existing margins that is with Imagicaa is there. On the combined level the four parks are generating 58% EBITDA margin as of FY23. And in that obviously at the various park levels as Jai mentioned, the amusement park at Lonavala there is work in progress which was happening. And post the last one year itself there is ramp up which is happening. So, the margins at this level we are not giving the breakup of the respective parks but even Sai Teerth is a new location and new attractions being added over there. But as an aggregate of FY23 these parks have been generating 58% margin and in the trailing twelve months this would have increased to 65%, I would just like to add. This is actually proof of that this CAPEX, which is done over the last 1 year or 1.5 years is helping, and these parks are clearly in a growth mode and the base also is helping. And when you combine both of these, you can just add up the math at what Imagicaa is currently generating and what Wet N Joy currently generating on a 12-month basis plus the synergies which we are not really quantifying at this juncture. Combined the margins will be much better than what they are today for Imagicaa.

Rusmik Oza: Related question since you're operating at 57% EBITDA margin acquired assets and Imagicaa is around 36%, do you see the margins of Imagicaa suppression can go up to (+50%) in future? How do you see that?

Mayuresh Kore: At the combined level, if you just add up it's coming down to an average of 44%-45% and we see no reason why they could inch upwards closer to 50% in the years to come.

Rusmik Oza: And second question, what will be the CAPEX requirement for Surat and Lonavala parks going forward?

Dhimant Bakshi: So, there is really no immediate capex requirement for Surat or Lonavala parks because in fact almost all the parks the CAPEX requirement have been methodically been done. So almost by this April or May of this year you will see that all CAPEX would have been completed in all current parts. And that's been factored in the calculations that we've mentioned to you by and large.

Moderator: Next question is from line of Jay Toshniwal from Toshniwal Equity Services.

Jay Toshniwal: I have two questions. First question is that there is a sale of land parcel of about (+100) crores and the consideration of about 35% is coming by way of cash and the balance coming by way of a deferred bond preference share where the money comes in after 20 years. So, what is the logic for deferring the cash inflow at almost zero interest and which is the issuing Company for these preference shares? That is the first question. And second question is what are your plans regarding devotional park expansion beyond Shirdi, say for example Ayodhya or Varanasi or Mathura etc.?

Mayuresh Kore: Answering the first question. So, this is a transaction which is from the resolution of debt which happened with the lenders, and it is primarily whatever cash consideration had to be received in the books has already been received. For taxation purposes there was this instrument which is there. So, this is not in terms of any recovery that we are expecting from that. So, it's purely a tax structure which is there. And it was part of the management deals which were concluded at the point of resolution by the Malpani Group. Coming to the second question for devotional theme parks, especially in Ayodhya and Varanasi Jay, would you just want to add?

Jai Malpani: Jay we are exploring those because since we have good experience with Sai Teerth already in Shirdi which is on the similar lines. So based on this we have been talking to the people at Ayodhya, Dwarka or Varanasi for that matter. So, we are exploring land parcels over there. I think we are in talks and once something gets concluded we'll update you on the same.

Moderator: Thank you. Ladies and gentlemen due to time constraint we'll take that as a last question. I'll now hand the conference over to Mr. Jai Malpani for closing comments.

Jai Malpani: We appreciate your participation in our business update call today. We trust that we have addressed all your queries. Should you have any further queries, questions please feel free to reach out to our Investor Relations Advisors at Strategic Growth Advisors, SGA. Thank you and have a pleasant afternoon.

Moderator: Thank you very much. On behalf of Imagicaa World Entertainment Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

"Adlabs Entertainment Limited
Q1 FY2019 Earnings Conference Call"

August 06, 2018

MANAGEMENT: **MR. DHIMANT BAKSHI – JOINT CHIEF EXECUTIVE OFFICER - ADLABS ENTERTAINMENT LIMITED**
MR. MAYURESH KORE - ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Adlabs Entertainment Limited Q1 FY2019 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Dhimant Bakshi –Joint CEO of Adlabs Entertainment Limited. Thank you and over to you, Sir!

Dhimant Bakshi: Thank you. First of all very good afternoon everyone and I thank you for joining the Q1 FY2019 results conference call of Adlabs Entertainment Limited. At the outset, I am glad to inform you that Imagica has reported highest ever EBITDA in Q1 FY2019. It is an outcome of the strong team efforts with one eye on new initiatives and the other on continuous cost efficiencies. From the market scenario, we have witnessed a high amplification of sizing by other parks in Q1 in our region. In long run, we believe that the efforts from all players will help the category to grow and propel culture of outdoor recreation in India.

Footfalls for this quarter saw a growth of 2% Y-o-Y in parks business from 5.75 lakh in Q1 FY2018 to 5.88 lakh this quarter. With this we are pleased to share that Imagica has crossed 7.4 million visitors in just a span of over five years. Our penetration does stand at almost 17% of the primary catchment, which shows a large base yet to be penetrated and thus the immense opportunity that lay in front of us. Alongside, our repeat visitor base is increasing very steadily and currently it is at 17% to 18%. This shows the satisfaction among the guests and the repeat worthiness of our category at Imagica.

Total revenues for Q1 stands at Rs.84.73 Crores vis-à-vis Rs.86.62 Crores on a Y-o-Y basis with parks at Rs.75.63 Crores and hotel at Rs.9.09 Crores. Although there was a drop of 3% on a Y-o-Y basis, it is primarily due to the change in tax regime from service tax to GST. The EBITDA for Q1 stands at Rs.34.13 Crores versus Rs.32.23 Crores in the corresponding quarter last year, thereby registering a growth of 6%.

With margins improving to 40.3% from 37.2% on a Y-o-Y basis, this is as stated the highest ever EBITDA margin since the inception. We have also made a number of representations, as we have stated in the earlier calls, to State Governments and we are hopeful that the matter of refund of the state SGST component in lieu of previous entertainment tax exemption given to Imagica now subsumed in GST is resolved in the ensuing quarter.

The mechanics of the state refund are being finalized by the State Government and it would flow into EBITDA as a refund item. Thus we believe that the EBITDA would improve by approximately Rs.4.5 Crores for Q1 FY2019 considering the GST refund amount, the quarterly EBITDA margins would stand at 45.7% as the reported EBITDA margins.

Now moving onto key highlights and developments that took place in Q1 FY2019, we saw continuous footfall growth. The quarter saw a continued footfall growth of 2% with Water Park growing by 5%. In fact, Imagica being the first water park in the country to offer a unique proposition of character per head per guests and thus increasingly the entertainment value for them. On pricing and ARPU, we saw a 2% drop in ARPU this quarter versus the previous year. This is primarily due to the change in tax regime from service tax to GST.

Non-ticketing revenues continued to grow and the share of non-ticketing revenues increased to 35% of overall revenues in this quarter from 33% last year, corresponding quarter. On operational cost rationalization this quarter, we are glad to inform you that we have achieved a further 7% of cost reduction and our intent and efforts is to optimize its operating cost on a continual basis and so far we have achieved an overall reduction of almost 25% in the operating cost from the peak costs that we incurred.

From here on cost efficiencies would obviously be within the lower percentage numbers and major areas have been implemented However, our efforts will continue to be there to drive the cost more efficiently.

Moving to Novotel Imagica, in Q1 Novotel Imagica's overall ARR stood at Rs.10,515 including F&B. The number is projected at 6,434 for the rooms and F&B stood at Rs.4,081. We saw a good demand from corporate and MICE segments as well as social segment in this quarter. We are very glad to inform you that much awaited approvals have now been obtained for all 287 rooms and benefit of the same will be availble to us from September 1, 2018.

Moving on to strategy for the year, as mentioned in the last earnings call that FY2019 we would continue our efforts on adding new attractions and improve entertainment value that would help improve footfall as well as add into additional revenue streams. This will not only improve EBITDA margins but enhance possibilities of increased repeat visitations.

In line with this approach we have launched three new attractions and concepts and let me tell you that within last six months we have added very interesting premium concepts. They are Chhota Bheem, the character and as we speak in the month of July the ride has been operational. So the Q3 FY19 will logically see benefits of the same. House of Stars, India’s First Official Bollywood Concept also has been operational. In fact there will be some more enhancements that would take place by end of September even that would be moving into a much higher standards of attraction. Moving onto Eyelusion, which is India's First AR Enable TrickEye Museum, on global standards has already been operational. So these are the three unique propositions that have been added to Imagica’s stable.

On future business strategy, we are glad to inform you that Imagica High Street, a unique non-ticketing initiative has been soft launched in the last week of June. Q2 FY2019 will see a major impetus –to this initiative. We believe that this concept will propel consumption and reduce the entry barrier for Indian customers. This will also allow passer buyers to take a break at Imagica and will enable us to convey theme park as a product granularly and in person

Further to this, it will help us upsell our product portfolio in a much better manner. Apart from the above, we are in talks with the few more potential partners to add interesting concepts in Imagica and make the Imagica India's most favorite and more appreciated entertainment destination. With this, I would now like to hand over to Mr. Mayuresh Kore to discuss the financials of Q1 FY2019 in details, Thank you very much.

Mayuresh Kore: Thanks Dhimant and good evening everyone. Before I talk about results for Q1 FY2019, I would like to inform you that today we will restrict our discussion on the Q1 financial results and for any updates regarding asset sale and our debt management plan, we shall be updating in due course.

I can however, update you that two of the lenders including the lead banks have given their NOC for the pending hotel sale while the land NOC is still under process.

Moving on to the details of the Q1 P&L regarding footfalls and ARPU, the footfalls achieved for Q1 FY2019 are 5.88 lakhs versus 5.75 lakhs for Q1 FY2018. The breakup is as follows: the Theme Park 2.01 lakhs, Water Park 2.98 lakhs and Snow Park 0.88 lakhs. Thus the footfalls for Theme Park and Water Park combined in Q1 FY2019 grew by 2% Y-o-Y. The Theme Park and Water Park revenues combined stand at Rs.74.34 Crores, the Hotel at Rs.9.1 Crores and Snow Park at Rs.1.29 Crores and thus total revenues for Q1 stands at Rs.84.73 Crores.

Coming to the gross realizations per visitor for Q1 FY2019, the weighted average ARPU for the Theme Park and Water Park combined in Q1 FY2019 is Rs. 1,486 versus Rs.1,516 in the last year Q1FY2018, a drop of 2%. Drop in ARPU was directly due to the impact of GST, which is currently applicable at 18% while in Q1 FY2018, the service tax was 15%. The Theme Park ARPU for Q1 FY2019 is Rs.1,820 versus Rs.1,880 in the last year's Q1FY2018, which is lower by 3%. While the Water Park ARPU for Q1 FY2019 is Rs.1,261 versus Rs.1,250 in the last year Q1FY2018, in fact an increase of 1%. Thus the EBITDA for Q1 FY2019 is Rs.34.14 Crores versus Rs.32.23 Crores in the last year Q1FY2018, registering a growth of 6%. The management efforts continue to drive footfalls as well as improving our margins. And as Dhimant mentioned, this quarter we registered a highest EBITDA margin ever at 40.3% versus 37.2% in the corresponding quarter last year.

Coming to the hotel performance, I think Dhimant has already covered in detail. I would like to inform the cost related highlights, they are as follows: the overall Q1FY2019 operating cost including hotel have declined by about 7% compared to Q1 FY2018 from Rs.54.39 Crores to

Rs.50.59 Crores despite inflationary pressures. The decrease in cost was primarily driven by lower material cost, optimized transportation cost as well as lower power and fuel cost.

The finance cost for Q1FY2019 is Rs.32.14 Crores versus Rs.31.97 Crores in previous Q1FY2018. The increase is primarily due to some borrowing increased to meet the cash flow gap presently. The loan outstanding as on June 30, 2018 is Rs.1030 Crores. We would now like to open the floor for any questions and answers.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Pankaj Jain, an individual investor. Please go ahead.

Pankaj Jain: I had a couple of questions on land and hotel deal, so I would like to know where is the likelihood of the transaction expected for this deal, is there any ballpark timeline?

Mayuresh Kore: As I mentioned, we have got couple of NOCs including the critical NOC from the lead bank, which has unfortunately been delayed because I think the PSU banks themselves are in a tumultuous time over the last few months., We do hope that both transactions considering the large number of consortium lenders gets concluded in one more quarter, so basically the practical target would be Q3 FY2019.

Pankaj Jain: Okay. So most probably it should close in Q3 FY2019 right?

Mayuresh Kore: Yes.

Pankaj Jain: how will be transaction impact on the financials for FY2019 in terms of interest cost savings, operational cost savings or debt outstanding? What would be the position in that angle?

Mayuresh Kore: On a full financial year, we were looking to save about Rs.41 Crores of interest cost. Had these deals happened at the start of the financial year, unfortunately if we take out two to three quarters, the benefit will obviously be significant in the next financial year and maybe four months of this financial year, we could get the pro-rata benefit that the interest cost and the operational cost - revenues would also go up. I would like to comment, maybe some marginal savings in say land taxes due to the additional land being sold off. So FY2020 would be the key year to look forward for the significant reduction in cost while the debt outstanding is expected to come down from 1,030 Crores to around 750 Crores.

Pankaj Jain: Okay. Fine Sir. Okay so may be the full year impact could be in the FY2020 and four to five months impact could be in the FY2019?

Mayuresh Kore: Correct.

Pankaj Jain: On financial Sir, when should we expect that the company to achieve a PAT breakeven?

Mayuresh Kore: PAT breakeven as given in our investor presentation, we have given a guidance for FY2021-2022 and while cash breakeven will be achieved in FY2020 as per the current plan, the PAT breakeven because of the depreciation, being the high capital expenditure has been incurred on the rides and equipment. So FY2021-2022 would be the year for the PAT breakeven.

Pankaj Jain: Sir what are the new initiatives which we are taking to increase the footfalls as well as if you can share the number of footfalls for the month of July?

Dhimant Bakshi: With regards to new initiatives we have launched Imagica High Street as a new product. Now this is a completely new thought from the team. It opens up a completely new genre and reduces the entry barrier for people. One thing that we have seen is that for guests and people in India today to understand Theme Park as a concept is a slightly longer phenomenon as compared to an Amusement Park or Water Park, which they are used to. So we believe that generating and inducing trials what essentially converts into sales and repeat visitation thereafter. So we want more number of people to enter our gates and experience the beautiful property that we have built and the world class product that we have built. Therefore it is essential how we would sample and get more people to try our product is exactly what our effort is. This also makes our base product look the best product in terms of pricing. So Imagica today offers unlimited rides, offering at this price, which many times we have realized that people do not make it in the first instant. So these are two big efforts that would help us to drive the footfall from the normal base, apart from that there is a major effort that keeps happening on the schools and the corporate business apart from driving numbers for destination weddings as the business. So one is logically getting the normal customers, the organic visitation and the others are more segment oriented visitation that we continue to work on. The efforts on corporate business has significantly increased this year and we believe that it should help us drive numbers in a decent manner.

Pankaj Jain: I mean I just wanted to know number of footfalls for July if you can share?

Dhimant Bakshi: As of now, we would not like to share that However just to give sense, despite 15 days of July being absolute downpour in this region, in the western part of Maharashtra, we have continued to hold good.

Pankaj Jain: Okay. My next question would be if is there any update on expansion plans in new geographies like you are planning to expand in Delhi, with a Brownfield expansion, so any update on that?

Dhimant Bakshi: While the consolidations are there and we have had quite a few outreaches from other state governments. The management obviously in terms of priority is trying to get the debt management part in the current balance sheet and get the balance sheet deliveraged sooner than later and the next step for expansion and monetization of the brand and IT and expertise that we have will surely happen., With minimal capex how we can go across the newer geographies is what we are continuously working on and so t you will get updates soon, I think in FY2020, we are looking forward at least initiating work on new geography once our debt management takes through.

Pankaj Jain: Okay Sir. Thanks a lot. That's it from me.

Moderator: Thank you. We have a question from the line of Sunny Agarwal from PNB Investments. Please go ahead.

Sunny Agarwal: Thanks for the opportunity. Are we looking to rope in any foreign brand or partner who is wanting to join our hands with us for next 10 to 20 years, so your thoughts on that? Thank you.

Mayuresh Kore: I think for the last couple of years, we have engaged with E&Y because there is foreign interest to come into India. However, considering the lack of government support, not many foreign players are really keen to enter this space. Imagica being the pioneer in this Theme Park space, obviously has made a name and a destination of world class standards. So there have been various outreaches but because of the high amount of debt on the balance sheet, I think the conversations were not moving ahead but as we go ahead and with the debt reduction that is proposed, you may expect some conversations to go ahead and we would be open to strategic partners coming into help us expand this brand into few other geographies in the country We really believe in the potential of this space and we have seen examples of China where I think last four to five years, there has been several big Theme Park launches. Considering that our demographics are similar to China in terms of spending propensity and the desire for the entertainment, so I am sure in the coming time, there could be some discussions that could take go ahead.

Sunny Agarwal: Okay. Thank you. All the best.

Moderator: Thank you. Next question is from the line of Vimal Sampath, an Individual Investor. Please go ahead.

Vimal Sampath: Have we been able to leverage on our SOH - we have so much of park in such a big area, are we getting any revenues on this front now?

Dhimant Bakshi: Yes, so it is a very interesting question .Firstly, we have target to monetize spaces, which your built mass, spaces, which we have started to lease out. So that is one aspect of SOH that has got kicked in. Also this quarter itself we have been able to make good breakthrough on advertising SOH as well. So we have clearly focused on this area as we have discussed in the last one or two calls and this has a focused target as well as the effort to drive numbers.

Vimal Sampath: So can you give some figure, I mean what revenue have we been able to generate?

Dhimant Bakshi: Yes, so in the Q1 we have almost 46 lakhs of rental plus SOH income from this segment.

Vimal Sampath: Okay and what about your space for retail, have we been able to do anything on that?

Dhimant Bakshi: Yes Sir. So like I told you, we have given some of the concepts on rent and thats where we earn and that is over and above the numbers that I told you. So that is a rental income.

Vimal Sampath: So rental income is apart from this 46 lakhs?

Dhimant Bakshi: Yes.

Moderator: Thank you. Next question is from the line of Prachi Dave an Individual Investor. Please go ahead.

Prachi Dave: Thank you for taking my question. Pardon my knowledge, but I would like to understand how this debt plan is going to work because of the hotel debt reduction? Will we be getting any revenue from the hotel and it will stop?

Dhimant Bakshi: So once the hotel is sold, there would not be any direct revenues that we will get, obviously because it is a change of ownership. However, there would be alliances through which we can get certain commissionary income.. So like we tie up with any other hotel and there are benefits that is the same arrangement that we may continue.

Prachi Dave: Would it work in any way that you would take your customers to them, so they might give you like 5% of commission?

Dhimant Bakshi: Exactly. Hotel gets aided a lot because of the park as a property and therefore lot of people stay in the hotel today because there is a park of our size and pleasure next door. So these arrangements can always be worked out and we see that there is an opportunity as well.

Prachi Dave: Have we arrived at the number or it would be worked out?

Dhimant Bakshi: No madam. These are early days. It will depend on what is the kind of packages that we arrive at but it is a larger done thing in the industry, so it is not something, which is very complicated to do. So we would embark on it at the right time.

Prachi Dave: Okay. Perfect. Thank you.

Moderator: Thank you. Next question is from the line of Vimal Sampath an Individual Investor. Please go ahead.

Vimal Sampath: We were having this night events, so what is the outlook on that? Have we tied up with some event managers? ., What is the situation now?

Dhimant Bakshi: So Imagica By Night, Imagica High Street are concepts that we like said that we would be promoting. We did the anniversary bash this quarter and we think we also did a small event. We had figure of the template which is not a very heavy production cost event then we think that these events have been classified into organic and inorganic in nature. So organic is where there is a logical customer demand and they are looking out for avenues to go out. Those are the events which will be making mega scale whereas the events which are inorganic we would work on a tight budget typically like what you have seen in Bollywood where it is the blockbuster, high star cast movie or which is a low budget movie but rotates faster. So that is exactly the model that we are employing, you will see some action in this genre in Q3 FY2019.

Vimal Sampath: Has this tent thing as a concept worked?

Dhimant Bakshi: Yes tent as a concept has also been successful and we would again be doing this in Q3 FY2019. In Q2 FY19, because of monsoon we do not do that for convenience and safety reasons.

Vimal Sampath: That is right. Thank you.

Moderator: Thank you. Next question is from the line of Deepak Malhotra from TPG Consultancy. Please go ahead.

Deepak Malhotra: Another question related to the competition. There have been some news reports that Turner International India in partnership with Rajgreen group is going to set up a new park called Amaazia confined in Surat in this year itself, any comments on this?

Dhimant Bakshi: Amaazia Water Park is already operational since almost a year and we also like you are hearing that the Amusement Park would come up, so only comment that I can have is that more the number of players, higher is the push to the category and it will only improve the opportunities for Indian Customers to experience outdoor recreational activities, which really is the need of the hour, so we welcome them with whole heart.

Mayuresh Kore: We have also tied up with Chhota Bheem, which is very popular character, I think Turner also enjoys some characters which are there.

Dhimant Bakshi: I am sorry I did not get the question on the character part, we were not very audible unfortunately, so having character integration in amusement/theme park is always a welcome thing and it would improve the experience of Indian consumers world over. This is a phenomena that really holds forth for every park owner and everybody looks for tying up or having a good association. That is exactly why we had got Chhota Bheem on board and we are in fact open to other players as well and it is really the way to go, so we completely support Amaazia's initiative.

Deepak Malhotra: Because Turner has such theme parks in Pattaya and Dubai, we have got this information already. I do understand that it will basically give a boost to the category, how it will play on the competition part?

Dhimant Bakshi: It is always that whenever such new introductions happen, it adds value to both the players, in fact people who do not have characters get an impact and the size of the business is such that one or two parks cannot really take away each of the business in fact because they will talk about it, we will talk about it, it grows. Generally in retail, you would have always seen that two to three brands, showrooms are next to each other, but they do not take away business from each other, but they drive more footfall to that base and that is the same phenomena that would happen. And because Surat and Mumbai are not so far, people would in fact flock in this region and that works better. There is a same thing that is happening on Mumbai-Pune Expressway today, it is helping everybody.

Deepak Malhotra: Okay. My second question is in terms of what is the outstanding debt on the balance sheet and although again some of your plans have been in public in terms of trying to reduce the same, can you just kindly give an update on the same please? Thank you.

Mayuresh Kore: As I mentioned previously the total loan outstanding as on June 30, is Rs.1,030 Crores and post asset sale envisaged, we anticipate the debt to come down to Rs. 740 – Rs.750 Crores and so that is the latest number.

Deepak Malhotra: There was also a talk of raising some money from private equity getting a strategic partner, although you did mention that you are open to the strategic partner, but have discussions really moved at the serious level on that?

Mayuresh Kore: Discussions and interests are there, but I think post asset sale and post debt coming down by 30-35%, and at that point I believe the discussions have a potential of moving forward because as I mentioned previously, India as a market, global players would not ignore for long. I think they would not be really looking forward to Greenfield investments, considering the various government approvals and the road blocks and developing such large project, so I am sure in a year or so the conversations will move ahead.

Deepak Malhotra: Sometime back, in terms of your vision 2021, you have indicated certain targets which you can achieve in terms of footfalls, EBITDA levels and so and so forth, so how are you on the path to achieve it?

Mayuresh Kore: So you are right, I think we have layed down negligible target and we have taken up the challenge. We really believe that with the level of current capacity utilization and the level of activation in the current market, where Dhimant even mentioned we only have 17% of the addressable market, so there is really room for improving footfalls and being the highest operating leverage business., Any incremental footfalls would really be 85% straight flow to the EBITDA. So all the efforts today are really towards driving the footfalls and there is a huge market in terms of a primary market as well as secondary market waiting for us. And I am sure with all the initiatives that we have taken from the customer's perspective to improve the offering, to improve access to the park, I think we will be on track to reach there and if not to exceed those numbers.

Deepak Malhotra: Is it impediment to go for a little exponential ride, because now we are in the market for last six to seven years. I mean it is really well established, people are now well more accustomed to be idea going to a Theme Park and there are others too in the competition who are doing quite well, so what it needs to be that when you have the best products available in the country and we are located in a suitable geographic area why we are not able to increase that in spite of the management's best efforts?

Dhimant Bakshi: Yes, so I think it is really the tourism which really is the gap, not the catchment activation. If you see the way catchment has responded in fact almost 7.5 million visitors in five years is really by any standards not a small number. In fact whenever we talk to industry professionals, nationally and internationally they really applaud that the kind of numbers that Imagica has been able to drive. So one thing if you look at places such as Orlando or Singapore or Hong Kong, which is propelled by tourism where the government and the private bodies come together to make an ecosystem that is very conducive for people to travel and there are shops available to private players to generate tourism. Somewhere that factor has not yet kicked into MTDC and Maharashtra government as well and we in fact would want to make more serious effort there all the way we have been trying that is really the delta., So if you see, today, our outstation visitors if you take Mumbai, Pune, Gujarat and the rest of Maharashtra out, it is almost 14% of our visitors who come from national visitation. So Imagica is a national product, not only Mumbai product or Pune product and that s something where we need to go to., So technically if you put some of the players in the amusement park business they have two to three locations and their number on the revenue or footfall is almost around our one location so it talks about itself. But the important thing is kicking in tourism in a bigger way and that is really the area which we have to go after.

Deepak Malhotra: Thank you. That is all.

Moderator: Thank you. Ladies and gentlemen that was the last question, I would now like to hand the conference back to the management for closing comments. Over to you Sir!

Dhimant Bakshi: Thank you very much for participation and we look forward to get in touch with you on the next call. If you have any questions in the meantime, you can feel free to get in touch with us or our Investor Relations Company. Thank you very much.

Mayuresh Kore: Thank you.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Adlabs Entertainment Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

"Adlabs Entertainment Limited
Q4 FY 2018 Earnings Conference Call

May 18, 2018

MANAGEMENT: MR. DHIMANT BAKSHI – JOINT CHIEF EXECUTIVE OFFICER – ADLABS ENTERTAINMENT LIMITED
MR. MAYURESH KORE – CHIEF FINANCIAL OFFICER - ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Adlabs Entertainment Limited Q4 FY2018 Earnings Conference Call. This Conference Call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhimant Bakshi the Joint CEO of Adlabs Entertainment Limited. Thank you and over to you Mr. Bakshi!

Dhimant Bakshi: Thank you very much. A very good afternoon everyone. Thank you for joining the conference call for Q4 FY2018 results of Adlabs Entertainment Limited. I am very glad to inform you that this is the highest ever Q4 and full year footfall for Imagica since inception. Imagica has been living the belief of proving world-class experience with Indian-ness in content, hospitality, and pricing. It contains hospitality and pricing essentially to provide best in class entertainment for delightful memories in a clean, safe and happy environment.

Let me now begin with the FY2018 performance. The year saw a very strong growth in footfall in parks from Rs.15.44 lakhs to Rs.17.23 lakhs this year. This combines Theme Park as well as waterfalls and the overall footfall grew by 14%. With this we are pleased to hear that Imagica has crossed 6.5 million visitors in a span of just five years. Currently, we have penetrated only 16% of our primary catchment. Our objective is to comb the market further thus increasing footfalls at a faster rate simultaneously tapping repeat visitation through various exciting offerings.

The total revenues for FY2018 is that Rs.236.29 Crores, which where the breakup is parked at Rs.201.27 Crores total at Rs.35.01 Crores. This is against Rs.238.99 Crores last year where the breakup was parks business at Rs.204.93 Crores and hotel at Rs.34.05 Crores. This is of course without the GST different component of Rs.10.46 Crores, which the company absorbed, which we should be getting refunded back from the state government.

The real movement is in the EBITDA this year, which for FY2018 stands at Rs.62.67 Crores versus Rs.60.85 Crores registering a growth of 3% over last year. This of course is without the SGST refund of Rs.10.46 Crores where we clearly would see an increase of Rs.10.46 Crores and thus it will reach to Rs.73.13 Crores amounting to 20.2% of growth compared to last year, so effectively this would give us a margin yield of close to around 29%.

The Q4 footfall increased by 6% on YOY basis from Rs.3.97 lakhs to Rs.4.21 lakhs. The total revenues were at Rs.50.83 Crores where parks contributed Rs.43.22 Crores and hotel at Rs.7.61 Crores vis-à-vis Rs.55.66 Crores last year where parks contributed Rs.46.32 Crores and hotel at Rs.9.34 Crores. This is however without the SGST refund component of Rs.2.73 Crores for the quarter. EBITDA for Q4 stands at Rs.12.62 Crores versus Rs.11.82 Crores registering a growth of 7% over last year. Consequently, the EBITDA margins have also improved to 24.84% from 21.3% in the corresponding period in the previous years. This again being without GST refund of Rs.2.73 Crores therefore EBITDA is likely to improve by 30%, which of course is a significant move up.

Some of the key highlights in developments that we have undertaken in Q4 this year, so there has been a continued footfall growth that we have seen. This quarter saw a growth of 6%, which is primarily due to several initiatives that have been taken by the team at Imagica as a part of its long-term strategy. The holi bash again continued to be a successful event this year and we have yet again been successful in delivering a fantastic experience for our guests.

On pricing and ARPU we did see a drop of 8%, which again was due to the SGST component otherwise ARPU would have been more or less flat. The decrease in ticketing revenues is largely negated by the increase in the non-ticketing revenues, which grew by 11%. The share of non-ticketing revenues increased to 42% of overall revenues in this quarter from 35% last year. This has been a very conscious strategy to drive non-ticketing business as a part of propelling consumption through footfall multiplier effect that we have been pursuing. Apart from this management has taken several cost consciousness initiatives on running the operations in a better way.

This quarter, we are pleased to inform you that we achieved 13% cost reduction as a continued exercise largely from the employee cost and marketing and sales expenses. Since FY2017 we have been making continuous efforts to optimize the operating cost of the parks business through senior management teams taking larger responsibility in the form of additional portfolios and on marketing front medium selections and better partnerships have reduced spends and thus the acquisition cost has been reduced as well. We have overall achieved 20% reduction in the operating cost this quarter.

In FY2018 as a whole we have achieved 2.5% of cost improvement through some of these efforts. We will continue our efforts for optimizing cost in the next year as well and maintain the rigour of title operations.

On Novotel Imagica in Q4, Novotel Imagica improved its overall ARR by 6% to Rs.11458 including F&B where room contributed Rs.6457 and F&B around Rs.5001. We saw a good demand from Corporate and MICE segments as well as social segments in this quarter; however, revenue dropped this quarter largely due to balance rooms approvals, which did not come through, which was expected in this quarter and therefore we had to let go of some of the large group bookings and events.

We are very happy to share that Adlabs Entertainment Limited has been announced winners of the Adventure Attraction Sectors Category for simulating excellence in the Indian travel industry at the VFS global times travel awards by Economic Times. These are very prestigious awards. We have also been awarded preferred Theme Park Destination by Times Retail Icon awards 2018.

Moving forward on reflecting on the strategy for 2018, as well as the way forward for 2019 at the outset of FY2018 Company strategy of focusing on footfalls and thus drive consumption coupled with measures to improve EBITDA through various initiatives had worked well. In FY2019 we will continue to remain steadfast and further strengthen the approach on this path. With additional initiatives and new products that we would be launching, we would continue to improve footfalls and the revenues screens therefore eventually improving EBITDA margins for the business.

Our partnership of zero capex with partners like snow parks are working very well and to strengthen this offering as discussed last time, we have already soft launched House of Stars as a concept, which is India's first official Bollywood inspired 3D character museum. It essentially covers the timeline of Bollywood and gets guests to experience the sets of iconic Bollywood movie scenes and relives the character at a very attractive price of Rs.349. Further to House of Stars, we are adding two more concepts, which are already operational with us.

Additionally, first phase of Chhota Bheem alliance where integration in Imagica parade and merchandise sales have become operational this April and in the last week of May, Chhota Bheem the ride will be launched in the theme park where guests will be able to first time in India enjoy a completely character integrated roller coaster ride, which will be available starting fourth week of May. As you would know the Chhota Bheem character is highly popular among the Indian kids and we expect strong footfalls contribution and in the retail revenues from this alliance.

Major focus area in FY2019 is to make our balance sheet lighter. Last quarter we announced divestment of our non-core assets to reduce our debt levels. We have already signed term sheets to sell our hotels for consideration of Rs.212.5 Crores and surplus land of Rs.203 acres for Rs.150 Crores.

With this divestment we would be able to reduce almost 30% of our debt. We have presented our plans to our lenders and awaiting relevant approvals. Post the debt reduction debt would be at more manageable levels and the company is making rigorous efforts for the same.

I would now hand over to our CFO, Mr. Mayuresh Kore to discuss the financials in details. Thank you very much.

Mayuresh Kore: Thanks Dhimant and good evening everyone. I will now talk about detailed results for Q4 FY2018. Coming to the details of footfall and ARPU, the footfalls achieved for Q4 FY2018 are Rs.4.22 lakhs vis-à-vis Rs.3.98 lakhs for Q4 FY2017. The breakup being as follows; Theme Park

Rs.1.99 lakh, Water Parks Rs.1.13 lakhs and Snow Parks Rs.1.49 lakh. The theme park and water park revenues combined stand at Rs.42.48 Crores, for the hotel at Rs.7.61 Crores, and Snow Park at Rs.0.74 Crores and thus total revenues for Q4 stand at Rs.50.83 Crores.

The revenues for the 12-month ended March 2018 thus stand at Rs.236.29 Crores as compared to Rs.238.99 Crores for the 12 months ended March 2017. The gross realizations per visitor for Q4 are as follows: The weighted average ARPU for the Theme Park and Water Park combined in Q4 FY2018 is Rs.1357 versus Rs.1477 in last year's Q4 a reduction of 8%.

Overall for FY2018 the weighted average ARPU for the Theme Park and Water Park combined is Rs.1422 versus Rs.1644 in FY2017 a reduction of 14%. The EBITDA for Q4 FY2018 is Rs.12.63 Crores versus an EBITDA of Rs.11.83 Crores in the previous quarter FY2017 an increase of 7%, which is commendable despite the revenue impact arising due to higher GST and other factors.

As you aware the management efforts this year was directed towards increasing footfall and improving margins. Accordingly, the EBITDA for the full year FY2018 is Rs.62.67 Crores versus EBITDA of Rs.60.85 Crores a growth of 3%. As Dhimant mentioned if one considers the GST refund amount the quarterly and the annual EBITDA amount would be higher by 30% and 20% respectively.

Coming to the hotel performance, the hotel is continuing with its strong performance and has thrown a capacity utilization of 68% for Q4 and an ARR of Rs.11458. The breakup of ARR is as follows; the room ARR is Rs.6457 and the F&B and other ARRs is Rs.5000; the total ARR being Rs.11458.

For the 12 months ended March 2018, the hotel occupancy was strong 76% and ARR corresponding including F&B was Rs.11078. As Dhimant mentioned, the cost initiatives that have been taken, so I will just elaborate the cost related highlights in the quarter: The overall Q4 operating costs including the hotel costs have declined by significant 13% compared to last year's Q4 from Rs.43.84 Crores to Rs.38.20 Crores. In this the cost related to employee benefits have reduced by an absolute amount of Rs.4.94 Crores, which is a 36% reduction resultant from strategic manpower rationalization.

The cost related to advertisement, marketing and sales have come down by an absolute amount of Rs.2.57 Crores a 21% reduction due to our continuous efforts in improving spend efficiencies. Notably the cost of acquisition per customer would have come down due to the efficiencies as well as the increase in the footfalls. The overall expenses pertaining to power, fuel and water could have been lower, but for a change in mix due to regulatory changes wherein minimal withdrawal from MSCD sale has been increased. The power, fuel and water costs therefore stand at Rs.3.82 Crores versus Rs.2.95 Crores; however, we are continuing to explore options for solar power to bring down the average cost per units for power.

For the overall financial year FY2018, the operating cost including hotels have declined by 3% compared to last years from Rs.178.14 Crores to Rs.173.61 Crores in the current year. The average rate of interest on our borrowing is 11.4%. Accordingly, the finance cost for Q4 is Rs.30.87 Crores; the bank loans outstanding, as on March 31, 2018 is Rs.1023 Crores.

Some GST related updates, we may have updated in the previous quarter and we are happy to reiterate that after sustained representations from the company and the trade bodies, the GST council has finally reduced GST rates on park tickets from 28% to 18% with effect from January 27, 2018, so in this current quarter we had one month of the higher GST impact however the next financial year we should have the full benefit of the reduced GST.

An update on the matter of the GST refund component we would like to inform you that it is at a very advanced stage and is expected to be table forth the state cabinet in the coming few months.

We would now like to open the floor for question and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Good evening Sir. My question is this GST refund will be one-time or it will be around Rs.2.5 Crores will be recurring every quarter?

Mayuresh Kore: This is a recurring income, so for the previous financial year since this was a 28% the SGST component was 14% and this will be recurring amount, which is 50% of the GST component that is the SGST share will be accruing for refund for Adlabs. Since it is a new mechanism that is why it has cumulated to such a large sum now. Going ahead we are awaiting the mechanism for the timing of it.

Vipul Shah: What will be the lag between quarter end and then the payment in terms of time and in terms of months?

Mayuresh Kore: Since this is the first time it is getting implemented so right now we have already accumulated Rs.10.46 Crores for the financial year FY2018, so we are expecting a three month lag between the actual quarter end to the receipt of the refund amount, so it will be kind of a working capital requirement, which will keep ongoing till the government improves any efficiency factors here.

Vipul Shah: Since GST is reduced from 28% to 18%, so should we build in instead of Rs.2.5 Crores from a figure of around Rs.1.75 Crores for the current quarter?

Mayuresh Kore: The current quarter Q4 it was Rs.2.73 Crores?

Vipul Shah: From first quarter onwards?

Mayuresh Kore: Yes 50% of the 18% applicable rate on ticket sales will be due for refund, so it will vary from quarter-to-quarter.

Vipul Shah: Roughly what should be the figure we should pencil in considering the footfalls are the same?

Dhimant Bakshi: Example for Q3 we had Rs.5.22 Crores, which was accrued as the GST refund credit whereas Q4 is at Rs.2.7 Crores, this is primarily due to the nature of the business right, so Rs.5.22 Crores can be considered, which was at 14% becomes 9%, so technically you can take a cluster of around Rs.4.5 Crores of value for Q3 and for Q2 you can be at about Rs. 2.5 Crores not really at Rs. 1.75 as you said because part of the quarter was at 9% and a small portion of the quarter was at 14%.

Mayuresh Kore: To make it simpler just take it at 9% of ticket sales.

Vipul Shah: 9% of ticket sales and Sir my second question is we are seeing continuous decline in ARPUs for quite some time, so what is the reason for that and I would like to know the cash and net breakeven for the theme parks in terms of number of footfalls?

Dhimant Bakshi: The reduction in ARPU are caused due to two reasons. One is since we are not able to recognize the GST component, which goes out of our kitty, the reduction of 9% is clearly to the extent of what you would see in the ARPU straightaway and this gets coupled with the mix of the business, so when theme park and water park mix changes even by 4% to 5% there is an impact. As such there has really been no pricing change that we have made and in fact despite GST when it was a higher range, we retained our prices, but we passed on the benefit to the consumer in form of discount such as save GST, so we do not see ARPU softening really for theme park and water park business. In fact this is the least that now one can really expect. There will be new initiatives that will be coming in, but that would really not take away the ARPUs so that is what I can really say about the ARPU part of it.

Vipul Shah: If you strip out GST impact what you are trying to say is ARPUs are more or less flat?

Dhimant Bakshi: Yes Sir absolutely, so ARPUs are at the flat numbers only. There is really no reduction. If you add back the components and secondly the non-ticketing business per se has really taken a good upswing, so it kind of negate the total overall ARPU of the business, but on ticketing like you rightly said it is primarily the SGST component.

Vipul Shah: What is the cash and net breakeven in terms of number of footfalls if you can give?

Mayuresh Kore: At current realizations, post the debt reduction we will have cash breakeven at 1.8 to 1.85 million footfalls. We will be achieving cash breakeven and if the asset sale happens sooner than later we will take 12 calendar months after that to achieve cash breakeven.

Vipul Shah: At our current footfalls if we can achieve this deleveraging then we should be able to cash breakeven in next year?

Dhimant Bakshi: Yes. That is really the major activity that the company has taken up because that is really the problem area that we are addressing.

Mayuresh Kore: Because as you aware from the asset sale we will be saving Rs.41 Crores of interest and of which the land component itself, which is not fetching any revenues as of now, so if that is taken out we stand a good position to achieve cash breakeven in the full financial year.

Vipul Shah: We do not seem to have any progress on assets sale at least till now, so what is the status for both the hotel and land sale?

Dhimant Bakshi: So actually there is a significant progress, but unfortunately till the time we do not get the NOCs from the lenders in our possession we cannot conclude the deal. There has been a advance level of conversation with the lenders and the papers actually have moved it to their committees, so we hope and expect that very soon we should have clarity on the NOCs, so really speaking all the approvals except lenders is available.

Mayuresh Kore: Practically because the consortium is large with 13 lenders and as you are aware most PSU banks having their own kind of constraints are taking time in processing, but we are making full efforts to expedite these approvals and to complete the asset sale.

Vipul Shah: Any new ride additions to increase the attractiveness of the theme park this year?

Dhimant Bakshi: We have already added Chhota Bheem as a ride, which will get fully functional in the fourth week of May, which is in this month itself, and we will also add House of Stars, which is a very unique Bollywood inspired attraction. These two are very good talk points for the business really and we will unveil the campaign very soon. For the House of Stars we have just started to campaign. Chhota Bheem campaign I am sure you would have seen already visible and it has started to draw interest and attention. We are sure that in Q3 and Q4 of this year, it would really help us in a big way, so these two are big attractions. Apart from that we have made certain changes within our premises to accommodate two more new concepts and we very soon would be coming up with a very attractive proposition for lean seasons and that you would see unveiling very soon.

Vipul Shah: Can we expect a significant increase in footfalls this year after the addition of Chhota Bheem?

Dhimant Bakshi: Yes the way we have laid out our plans are keeping in mind some of these big talk points. We would like to maintain the runrate of growth on similar patterns as what we have achieved, so that itself coupled with the debt reduction, we think would take us really to the cash breakeven levels plus the efforts that are constantly happening in the park to increase and generate a better value proposition for customers continues to be our main goal at the business.

Mayuresh Kore: I like to add to that, with the growing footfalls and higher visitation, the chances of sponsorships and alliances are brighter in the current year. We have kept some aggressive targets for ourselves and that could be an added stream in the coming year.

Vipul Shah: Thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of Kunal Parekh an Individual Investor. Please go ahead.

Kunal Parekh: A couple of questions. One of them was regarding the Shaan Agro deal where you have come up with a notification that lenders have refused to part their debt on their books, so it is like now Shaan Agro will pay Adlabs Rs.150 Crores and that will be paid to the lenders?

Mayuresh Kore: Yes you are right. Actually there were few lenders who cited technical constraints for the transfer of debt from one book to another, which there were precedence. Since it is a large consortium and to avoid any potential complications we requested Shaan Agro for a cash consideration of the same amount the commercials being unchanged and they have agreed for the same and upon receipt of the bank NOC for such sale, the transaction will conclude soon.

Kunal Parekh: Regarding the Novotel deal why are we not able to close that because that had no debt transfer? It was a straight cash deal where you were getting money from Mr. Damani, so what is the problem there?

Mayuresh Kore: On the Novotel transaction as well as the land transaction we have a consortium of 13 lenders whom we had presented both cases simultaneously i.e. both NOCs. As you aware in the banking system the entire process moves first with the leader and with everybody else in the same manner, so both of the request have been put together because we had targeted very significant debt reduction of 30%, 35% and banks were also partaking with their securities, so while they evaluated, did all the evaluations and diligences, both of them were combined and while we addressed the Shaan Agro technical issues in the interim both the proposals are moving simultaneously, so unfortunately it could not be isolated from each other because that is the way the banking system moves.

Kunal Parekh: We do not need any other permission from any government agency or corporation apart from lenders we have all other approvals?

Mayuresh Kore: Yes we do not need any permission from the government as such.

Kunal Parekh: No in the sense, OC and everything we have got it now?

Mayuresh Kore: Yes we have got it for the hotel.

Kunal Parekh: Okay and the QIP raise that of Rs.200 Crores, so you might already be aware of the stock prices and the valuations, now this is a considerable ask and so you have not cited any valuation, it will dilute a lot of the current shareholding, so what are the thoughts on the valuation because we have been raising money for quite sometimes at lower valuations?

Mayuresh Kore: Yes couple of things. This is purely an enabling approval, which as a secretarial practice with we also took in beginning of the previous financial year, so there is no specific plan as of now at the current valuations to do anything, it is just facilitates your secretarial approvals as and when we are at a better valuation and with a firm plan. As of now apart from the Rs.50 Crores raise from Shaan Agro, which is part of the overall deal, we have taken a Rs.200 Crores approval last year for QIP, but we only did a preferential allotment of Rs.50 Crores last year apart from the warrants, which is to Times of India brand capital for the advertising and the market expenses we do. So this is just enabling and going forward obviously we will come with specific approvals at a better valuation hopefully.

Kunal Parekh: Okay, so in the next coming year you want to reduce debt by 35% or still further to more Rs.200 Crores, so what have you planned for debt reduction in all?

Mayuresh Kore: It is the same, because the commercials for both of the non-core assets sale remain the same, so the 30%, 35% debt reduction target, which we are well on course, I think there is no change there.

Kunal Parekh: In terms of the Chhota Bheem deal, how much are we paying like is it like the vendor deals, which we have done with Snow Park or the House of Stars because is it on the same line like revenue sharing?

Dhimant Bakshi: We are bound by the confidentiality agreement with them and therefore I would not be able to disclose that.

Kunal Parekh: Fine. I will get back to the queue.

Moderator: Thank you. The next question is from the line of Shruti Patel, an Individual Investor. Please go ahead.

Shruti Patel: Good evening Sir. My question is on the footfall, so you have grown the footfalls by about 6% this year, but if we see category wise Water Park has grown by 26%, Snow Park has grown by

12%, this is for the quarter sorry, but the Theme Park has actually gone down by about 10% or 11% is that right?

Mayuresh Kore: No, the Theme Park footfall for the year are up 6%, the Water Park 26% and if we just average out both of these, it is 14% growth in Theme Park including Snow Park footfalls have grown 12% year-on-year.

Shruti Patel: Only Theme Park footfalls have grown by what percentage for the quarter?

Mayuresh Kore: 6% growth for the full financial year.

Shruti Patel: The other question I had is on this SGST refund. Now you have been saying that you are going to table it this month. I just wanted to understand if this is being disputed or are we going to receive this amount for sure and we are awaiting for the timeline to receive this amount. What is the possibility of this not coming because this in lieu of the entertainment tax that you have got waived?

Mayuresh Kore: Basically we have Adlabs Imagica being a mega tourism project declared by the Government of Maharashtra which enjoys a 100% entertainment tax holiday for the ten years which is there till 2024-2025. Since entertainment tax has got subsumed under GST and the centre collects and distributes the SGST share back to the state. So the entire 100% SGST component, which is basically in lieu of the E tax, has to come back to us. It is a new mechanism with the State Government and not only us, there are 20, 30 others who enjoys various exemptions in the previous regime. So the entire file is moving to from various departments of finance, revenue, treasury, industry and planning and finally the State Cabinet has to approve this. So we do not see any reason of being denied because this is one of the basis of the investment made by the promoters in the State of Maharashtra.

Shruti Patel: Understand, so it is only a timing issue?

Mayuresh Kore: It is only the timing and if there is any delay we may contemplate a legal action. Right now since we understand the GST concept, things are settling down and it is a rightful claim to it.

Shruti Patel: Right, Sir my other question is on the debt, so if I understand correct our repayment for debt was to start in June 2018 right?

Mayuresh Kore: Our principal repayment will start from July 2018

Shruti Patel: Given that we have got these deals on land and hotels have taken a little longer than we expected, what is our plan for debt repayment in case it will take longer?

Mayuresh Kore: Yes, so what we have requested the bankers, since from our side we had already worked out the commercials for the sale of asset and applied to the bankers well in time. We have proposed that from the sale proceeds the immediate installments be recovered first, so basically the installments, which are there for the next two to three years will get taken care off. We have done this in the past from our IPO where we have prepaid immediate installments in advance and thereby giving further time for the business ramp up to happen. So we have requested lenders in the similar fashion and earlier they approve, I am sure the immediate installments will get taken care of and for the remaining debt then we can look at whatever refinancing options with a lighter balance sheet.

Shruti Patel: But Sir my question is in case these deals get delayed because we have to start it from June right and we are only a month-and-a-half apart, so if these deals get delayed then do we have a backup plan for this debt repayment or how does it work?

Dhimant Bakshi: We are meeting the bankers, in fact on Monday for the same subject and there would be clarity that we will have and accordingly we will have to plan. So one thing that we have clearly spoken to them and now the discussion with the consortium has gone to the highest level, wherein we have already flagged up the importance and the need to grant us the NOC at the earliest. I think we would be able to answer this question once we have clarity from the bankers themselves we can come back to you, but your question is very valid and apt and I must appreciate.

Shruti Patel: Thank you Sir and a while ago our debt was classified as SMA2 right for interest delays or something, so now all that is cleared?

Mayuresh Kore: The basic reason why we are selling of the non-core asset such as land where Rs.150 Crores of this debt reduction would save us about Rs.18 Crores, Rs.19 Crores of interest and same from the hotel. The idea was that whatever interest gap is there is reduced, so that the core business, which can sustain only a percentage of the debt. So till the asset sale happens there will be a strain on the interest payment. We have also requested the hotel buyers for advances where we could streamline this; however, all is hinging upon the bank NOCs now, the sooner they come, I think we will come back to a manageable debt level.

Moderator: Thank you. The next question is from the line of Manish Rawat, an Individual Investor. Please go ahead.

Manish Rawat: Good morning. My question is on the locational benefit that Adlabs has, as the A line traffic has increased dramatically, are we looking for the areas like beyond the primary and the secondary catchment that we have?

Dhimant Bakshi: Yes, of course, so as you know Imagica is a National Holiday destination and we do promote Imagica across the country depending on the seasonality, while of course, the inbound traffic and the primary catchment gets higher advertising visibility, catchments like Karnataka or Andhra where the Ugadi and the October season is higher or similarly in up north when December becomes a bigger month, we plan a campaign very strategically so that there is no spillover in terms of media spend. At the same time, we have to see their time availability apart from pure visitation needs, so we have to really think that and that is what we do. So of course our efforts are sustained and that is why we have partnership with companies such as MakeMyTrip or Jet Airways who are travel enabling format companies and that really works well. It is actually pride of India as an entertainment destination and that is something which we would like to keep promoting.

Manish Rawat: Thank you and my second question is that given that Adlabs is established as a brand of a Theme Park are we also looking to establish parks in other regions like NCR areas where the people generally do spend a lot of money on the entertainment.

Dhimant Bakshi: Yes of course as company we want to expand and you would have seen that in past we had announced the two potential locations that we had very seriously explored; however, we as a company took a pause to first make sure that we are debt light and we stabilize the current location and format and then expand, which I am sure you will appreciate. The moment we reduce 30% of debt and when the numbers are more manageable on the debt front, being an operating leverage, this is the most logical thing for us to do and with the kind of IP and the asset that we have build it is meant for more than two or three locations depending on the size and scale, so we are definitely wanting to do that and we are committed to do that. It is just a matter of time.

Mayuresh Kore: In fact we are happy to inform that at the current stage at least 5, 6 different geographies have been consistently approaching us for the Imagica brand to come up in various joint ventures or alliances to realize the potential of this in the various catchment across the country, so we continue to keep track of those and as Dhimant mentioned as we complete our debt reduction we will definitely initiate those.

Manish Rawat: Thank you Sir. Thank you for answering.

Moderator: Thank you. The next question is from the line of Bimal Sampat, an Individual Investor. Please go ahead.

Bimal Sampat: Good evening. Two questions once that hotel sale is through will our F&B revenue come down and second thing will we get commission on hotel booking, which will happen through our site and all that and what are the other operating revenues?

Mayuresh Kore: Your first question, the hotel as a separate stream of revenues and so as the park, in the balance sheet, the F&B used to be combined as one revenues where some F&B of the park as well as in the segment revenues, the food revenues used to be highlighted, but those are purely separate, I mean the hotel as a own business unit and theme park as a business unit operate separately, so things will not change. The understanding as part of the hotel sale is that existing arrangements that the park has with the hotel in terms of packages will continue as it is, there will be no change in the understanding or the sharing from the current level, and as a consumer obviously as a package you will continue to enjoy the combo package with the stay as previously.

Dhimant Bakshi: So the way we have designed our entire structure is that like Novotel Imagica although it is a part of our stable and we work on transfer pricing with Novotel and that is how we operate with other players where we do any joint business that is what will continue, so it is really not a problem Sir on that front.

Bimal Sampat: So actually last year there was a loss of Rs.7 Crores on the hotel business, so that will go off next year, once we transfer the hotel?

Mayuresh Kore: From the hotel, the hotel has thrown an EBITDA of Rs.6.5 Crores for the full financial year FY2018, if we take the depreciation corresponding, but we have to really note that 171 rooms were not operational in that year and I am sure in the next three months or so it will be once the new buyers takes over the entire property and depreciation.

Bimal Sampat: Okay and what are the operating revenues?

Mayuresh Kore: The other operating incomes include parking, the car and bus hires that we get and sponsorships to that extent, so these form part of the other operating income.

Bimal Sampat: Okay, thank you and the merchandise now with new tie ups will we have a jump there, do you expect next year, two years?

Dhimant Bakshi: Yes, on the footprint of retail merchandise, we are getting a very positive response from the partners whom we are already present as well as there are new tie ups, which are already being done, so we have already completed one tie up in Gujarat and now we are actively looking at other parts of the country and we would be ramping this business very strongly.

Moderator: Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.

Jigar Shroff: Thanks for taking my question. What is the capex plan for FY2019?

Mayuresh Kore: All our repairs and maintenance activities, which we need to do at the Park are a part of the P&L and as we explained any addition to ride and attractions, we have taken the model where any partners can come up and invest into any new attraction and we will be happy to engage on a revenue share, so apart from the regular ongoing maintenance activities we do not anticipate any capital expenditure.

Jigar Shroff: Any ballpark figure that repair and maintenance that you would have to incur other than what the partner incurs?

Mayuresh Kore: No, for the new attractions the partner incurs the entire capex, the maintenance is part of our P&L, which is already part of our operating expenditure and it will be continuing at similar levels as previous.

Jigar Shroff: Sir after the divestment of these two assets, what would our debt come down to approximately – currently it approximates Rs.1023 Crores you said right?

Mayuresh Kore: Yes.

Jigar Shroff: So then it will come down to approximately?

Mayuresh Kore: Yes, we are planning Rs.740 Crores to Rs.750 Crores of residual debt after clearing all the outstanding debt and dues.

Jigar Shroff: What is the scope for further cost reduction initiatives, so which areas would you look at for the current year besides you said you are looking at some solar initiatives also?

Dhimant Bakshi: Yes, so solar is very much an active conversation, which we are having with multiple vendors for a long power purchase agreement and since our consumption of power largely happens during the daytime, I think solar is a apt mechanism where we could reduce our power cost, so we talks with two, three players and by October, November this year, we should have our solar implementation in play, which has scope to reduce the power cost. Apart from that we have become really cost conscious in terms of all other expense buckets as well and we keep looking at chances where we could really optimize our cost and there could be some efficiencies coming further; however, major part of the efficiencies we have built in over the last couple of years as you may appreciate on a long way in bringing on the fixed operating cost and importantly the focus should be to inch up the revenues because being a operating leverage and a fixed nature of cost I think there is real room for growing the EBITDA margins further.

Jigar Shroff: So the solar power initiative would reduce your cost by how much Sir? You must have done some calculation I guess?

Mayuresh Kore: The unit rate obviously will be lesser, but the quantum of exact power savings we will come back to you because we are talking with multiple power suppliers to that extent, but from the overall power cost one could really expect 15%, 20% savings in the current year.

Jigar Shroff: What is the current power cost?

Mayuresh Kore: Currently we are using a mix of MSEDCL withdrawal and some open access, so on average we are at about Rs.17 Crores per annum.

Jigar Shroff: Rs.17 Crores is the power cost per annum.

Moderator: Thank you. The next question is from the line of Shruti Patel, an Individual Investor. Please go ahead.

Shruti Patel: Thank you. My question is what is the EBITDA excluding hotel for the year?

Mayuresh Kore: It is Rs.55.63 Crores excluding the hotel and the hotel Rs.6.5 Crores.

Shruti Patel: In your balance sheet there is a line item called other financial liabilities, which was about Rs.40 Crores last year, which is grown to Rs.130 Crores, so I wanted to understand what is in there?

Mayuresh Kore: As accounting standards, the principal installment due in the coming year have to be included in the current liability, so this year we had to classify in the other and current liability and also we have taken against the sale of the hotel, we have taken Rs.15 Crores advance, so that is also figuring in that, so that is where the amount has increased.

Shruti Patel: Okay, there is a separate item called borrowing also, so I was not sure if liabilities were included there?

Dhimant Bakshi: It is included there.

Shruti Patel: Thank you so much.

Moderator: Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.

Jigar Shroff: Sir what is your outlook on the non-ticketed revenue, it has gone up about 18% in FY2018 and in some cases I mean what is the trend globally amongst all these theme park, so whether we are moving in that direction?

Dhimant Bakshi: Yes, so we very much moving in that direction and if you look at the Parks in India there is a huge gap between what we do on non-ticketing compared to what the other parks do, so technically a good mix really. Currently we are at above 65-35 kind of a ticketing to non-ticketing mix and we would like to take this share to about 40% in this current year and as we move our merchandise in the retail business out we would have a better push to that, that is really the trend globally as well and that activity particularly takes them time to built up and that exactly the journey we are on as you rightly indicated.

Jigar Shroff: So 65% ticketing should come down to approximately 60% in the medium term?

Dhimant Bakshi: Yes.

Jigar Shroff: 40% would be non-food beverages and the other merchandise, etc.?

Dhimant Bakshi: Yes so for Q4 itself we have touched 40%, but the year long performance for us is 35, so we are very much on that trend and with any further inclusion of any merchandise alliances that we can get will only add to it.

Jigar Shroff: So the QIP that is the enabling provision that is primarily for what, I mean for expansion or for the debt reduction?

Mayuresh Kore: The last year we have taken this approval with a view to do a combination wherein there were couple of expansion opportunities as well and after that of course the asset sale option came up, so it may be used based upon the requirements and as I mentioned previously we have not firmed up an exact amount and also the current valuation, we are not very keen on jumping on it right now, so I am sure the plans will unfold over the coming month and it would be used for a mix of growth as well as for further pairing of debt.

Jigar Shroff: How confident are you that both these debt reduction initiative should go through in the June quarter?

Dhimant Bakshi: I think that timing is very essential and the legwork has been done, I can assure that over the last four months we have been active and despite upheavals happening in the banking sector we have completed all their requirements of valuations, certification everything which is required and as explained the banking sector is extra cautious for any release of securities and everybody kind of – before affixing their signature on any documents want to be doubly sure in this current scenario, so which we have done fortunately and now it is really up to the banks and proposal at highest level at the lead bank and I am sure we should do it in a couple of months.

Jigar Shroff: Hopefully if not June, by September quarter it should go through.

Mayuresh Kore: 100% it should go through.

Jigar Shroff: Your average interest cost currently is 11.4% correct?

Dhimant Bakshi: Yes.

Jigar Shroff: So with this debt reduction and all we should expect some kind of uptrend, which will lead to a further reduction in our average interest cost?

Mayuresh Kore: We already been discussing with credit rating agencies for upgrade based upon the reduced debt component and with the core business scaling and footfalls looking encouraging, we will definitely go for a higher credit rating and as far as the interest cost goes definitely we will be happy to reduce by further half percentage point or 1, but obviously we do not know how the interest scenario pans out considering the inflation and other factors, so we will be watchful in that regard.

Jigar Shroff: Okay Sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to the management for their closing comments.

Mayuresh Kore: Thank you everyone for participating in the Q4 conference call for Adlabs Entertainment Limited and we really happy with the questions and hope that we have addressed them satisfactorily. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Adlabs Entertainment Limited that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.

"Adlabs Entertainment Limited Q3 FY-18 Earnings Conference Call"

February 09, 2018

MANAGEMENT: MR. DHIMANT BAKSHI – JOINT CEO, ADLABS ENTERTAINMENT LIMITED
MR. MAYURESH KORE – CFO, ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Adlabs Entertainment Limited Q3 FY'18 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Dhimant Bakshi – Joint CEO, Adlabs Entertainment Limited. Thank you, and over to you, sir.

Dhimant Bakshi: Thank you very much. Good afternoon everyone. We thank you all for joining the conference call for Q3 FY'18 results of Adlabs Entertainment Limited.

Let me start with the footfalls for this quarter. This quarter witnessed a strong growth of 14% compared to last year in the parks business from 4.33 lakhs in Q3 FY'17 to 4.94 lakhs in Q3 FY'18. With this, we are pleased to share that Imagica has crossed 6 million visitors in just a span of 4.5 years. This translates into a mere 14% penetration of our primary catchment. Therefore, we see a strong opportunity for further penetration and we will continue to focus on market expansion. We firmly believe that some of the initiatives that we carried out as management team in the last three quarters have now started to show positive results and we need to continue to work with greater rigor for it to expand further and faster.

The total revenues for Q3 stand at Rs. 62.97 crores, of which parks have contributed Rs. 53.86 crores, hotels Rs. 9.12 crore, vis-à-vis Rs. 60.45 crores in the corresponding quarter last year, which reports an increase of 4.2% on a YoY basis. The EBITDA for Q3 stands at Rs. 19.67 crores vis-à-vis Rs. 17.71 crores, thereby registering a growth of 11%. Consequently, the EBITDA margins have also improved to 31.2% from 29.3% in the corresponding period in the previous year. This, you must note, is without the SGST refund of Rs.5.22 crores for this quarter that we are anticipating.

Now, to some of the key highlights and developments that took place in Q3 FY '18. This quarter saw a strong footfall growth for both the parks on a like-to-like basis of which theme park grew by 18% while water park grew by 38%. The footfall growth was due to multiple initiatives taken by the management to drive footfall as a part of its long-term sustainable strategy.

Our new year event was once again very successful, and we witnessed over 13,000 footfalls for the day. This quarter, however, showed a drop of 16% in ARPU vis-à-vis last year. The drop was largely due to the SGST component which the company has absorbed to pass the GST benefit to the customer which we should be getting as a refund from the state government, as I mentioned earlier.

Alongside the above, we had made the strategic move of reintroduction of deal days, which was essentially to drive higher capacity utilization for the parks. Key point to note is that we have shown growth in revenues despite reduction in ARPU. This is due to our targeted move of consumption increase and thereby increase of non-ticketing revenues. This, we considered as a good sign for the business and is in alignment with our overarching approach.

The share of non-ticketing revenues increased to 34% from overall revenues in this quarter from 29% on a like-to-like basis. In the previous years, we did a detailed analysis for this strategy. In FY'17, we made continuous efforts to optimize the operating cost of the parks, and we achieved an overall reduction of approximately 20% in the operating cost of the company. As we speak, we have embarked on the green energy sources, and we are actively evaluating more such opportunity to rationalize cost and use the green energy as an initiative. We anticipate that some of our efforts will fructify next six to seven months from now. On the hotel front, Novotel Imagica continues with its good performance in Q3, with an overall ARR of Rs. 11,266 including the F&B and the other services, room ARR being Rs. 6,809 and F&B and others include Rs. 4,456 as the amount.

We saw a good demand in the segments of corporate, social, and destination weddings in this quarter. We are also very proud to share with you that Adlabs Entertainment Limited has been awarded as winners by Zendesk for "Best Customer Experience in the Services Sector" category and this is a very rare award for an amusement park as a business. This is amongst many other prominent brands that were present across the services category, and it is considered as very prestigious award and undergoes a detailed process of evaluation, interviews, and midstream visits by the jury members. This is part of the 11th edition of The Customer FEST show 2018.

On the outlook for the next quarter, during the year, we are aggressively focused on EBITDA growth and margin expansion through improvement in footfalls and consumption. Thereby, we have also explored avenues for any further rationalization of fixed costs, and we are constantly looking for more avenues to expand and tap our resources. The strategies that we have implemented for increasing footfalls have been doing well, and we believe that this is the strong way forward for us in the years to come. Another major focus area for AEL is to lighten the balance sheet by sale of non-core assets and thus deleveraged our books by about 35%.

This quarter, we announced divestment of our non-core assets to reduce our debt level. We have signed two term sheets namely to sell our hotel at a consideration of Rs. 212.5 crores, and the second being the sale of surplus land for Rs. 150 crores. We have already received board approval and shareholder approval for the same and we are currently actively working on procuring lenders approval to complete the two-said transactions. Post this debt reduction initiatives, debt would be at a far manageable level than where we are currently today.

Since the past year, one of our strategies has been to add more attraction to the parks to create newness and get higher repeat visitation without adding much of the CAPEX. Our partnership model for snow park, as you are aware has been working very well, and therefore in line with it, we have now launched a Family Entertainment Center also called as FEC format of gaming zone inside Imagica. Further to this, we are also adding a very innovative, interactive museum concept based on Bollywood. It will offer among many other things a unique 3D printing facility and dioramas**.** We are on track to launch the museum by early Q1 FY'19, both of these attractions are in revenue share method with no CAPEX from our side.

I'm also happy to inform you that during our 31st December event, we have embarked on providing tenting facility for guest to stay overnight in a camping ambience. This received a great response, and we plan to exploit long weekends and events as a proposition to set up a similar tenting experience for the guest who are looking for outing and outdoor experiences such as these. This will also act as an added revenue stream apart from driving evening events. On behalf of the entire AEL team, it gives me immense pleasure to say that we are in the midst of a very exciting as well as challenging times. We see this as a great opportunity for the business and are fully committed to realize the true potential of this wonderful and landmark project Imagica.

With this, I would like to hand over to our CFO, Mr. Mayuresh Kore, to discuss the financials of Q3 FY'17-'18 in greater detail. Thank you very much.

Mayuresh Kore: Thanks, Dhimant, and good afternoon, everyone. I will now talk about the detailed results for Q3 FY'18. The details of the footfall and ARPU are as follows. The footfalls achieved for Q3 FY'18 are 4.94 lakhs vis-à-vis 4.33 lakhs for Q3 FY'17. The breakup being as follows, theme park 2.65 lakhs, water park 1.25 lakhs and snow park 1.05 lakhs. Footfalls for theme parks and water parks combined in Q3 FY'18 grew by a robust 24% vis-à-vis Q3 FY'17. The combined revenues of the theme parks and water parks stands at Rs. 52.95 crores, the hotels at Rs. 9.12 crores and snow parks at Rs. 91 lakhs. The total revenues for Q3 stand at Rs. 62.98 crores.

Coming to the gross realizations per visitor for Q3 FY'18. The weighted average ARPU for the theme parks and water parks combined in Q3 FY'18 is Rs. 1,358 versus Rs. 1,625 in last year's Q3 FY'17. A drop of 16%, as Dhimant explained a while back, the drop being mainly due to the impact of GST absorbed by the company as well as the continuation of deal day discounts that we are offering. The theme parks has thrown an ARPU of Rs. 1,489 for Q3 FY'18 versus Rs. 1,790 in last year's Q3, a drop of 17%. The water parks ARPU for Q3 was Rs. 1,080 versus

Rs. 1,215 in last year's Q3, a drop of 11%. The overall EBITDA for Q3 FY'18 is Rs. 19.67 crores versus Rs. 17.71 crores in last year's Q3, registering a strong growth of 11.1%.

The management's efforts continue to drive footfall as well as improving margins had borne fruit. Accordingly, our EBITDA margins for the current quarter have improved to 31.2% versus 29.3% in the corresponding quarter last year. The hotel division continued with its good performance and had thrown a capacity utilization in Q3 of 76% and an ARR of Rs. 11,266. This was versus occupancy of 67% in last year's Q3, and ARR of Rs. 11,364 last year. The current breakup of ARR is as follows. The room ARR is Rs. 6,809 while the ARR for the F&B and others is Rs. 4,456 and there's a combined ARR of Rs. 11,266.

Coming to the cost related highlights. The overall Q3 operating cost including the hotel increased by 1.3% compared to Q3 FY'17, that is up from Rs. 42.74 crores to Rs. 43.3 crores. The increase in cost has been primarily due to increase in some raw material costs and marketing expenses. The raw material costs are higher by Rs. 0.8 crores primarily due to the increase in the non-ticketing revenues, that is the F&B as well as retail merchandise.

Considering the higher footfalls in this quarter, the marketing costs are reasonable, in fact, cost of acquisition for customer is lower. We continue to optimize our power and fuel cost, which are resulted in a decline in power and fuel expenses by 11.8%.

The finance costs for Q3 is Rs. 32.03 crores versus Rs. 30.96 crores in previous Q3. The increase primarily being since the interest part on the capital work in progress for the hotels has been taken to the P&L starting FY'18, since the construction is fully complete. There is also some increase in borrowing costs due to gap funding availed by us. However, with the lower debt amount that we are planning for the forthcoming years, we would save approximately Rs. 40 crores in interest cost for the full year. The debt outstanding as on 31st December is Rs. 1,047 crores.

Regarding the GST rate reduction, I'm happy to say that after continuous efforts of the company and Indian Amusement Park Association, the GST Council has acknowledged the significance of theme parks and amusement parks and the tourism potential of such destinations and have reduced the GST rates from the extremely high rates of 28% to 18% in the GST Council meet on January 18th earlier this year. However, we still feel that the rate could be further brought down into the 12% bracket, and we will continue our efforts to represent the same to the GST Council. The lower rate of 18% would, going forward, reduce the effective cost to the consumers and also increase probability of higher footfalls as well as better ARPU realization for the company by virtue of lesser discounts that we need to offer now.

Previously in the quarter, the GST Council has also reduced the GST rate on F&B from 12% and 18% respectively for non-AC and AC restaurants to 5% which was without the input credit. This has reduced the F&B cost to the consumer and is enabling increase in the volumes of F&B.

We would now like to throw the floor open for question and answers.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. We take the first question from the line of Hardik Patel, an Individual Investor. Please go ahead.

Hardik Patel: I have a couple of questions. My first question is on the preferential allotment that we did, out of which, we have utilized around Rs. 23.5 crores towards the debt repayment. So, how much of this is towards unsecured debt?

Mayuresh Kore: This was primarily towards unsecured debt, which is availed by the company to meet the cash flow requirements.

Hardik Patel: Okay. And the balance about Rs. 26.5 crores, is towards the general corporate purpose, which is a substantial amount. Could you please give some breakup on this?

Mayuresh Kore: Basically this year, as you are aware, given the gap between the interest cost as well as the EBITDA that we are achieving. Primarily, there is a cash flow requirement of the overall company. So, this Rs. 23 - 24 crores of general corporate is primarily to meet the cash flow gap.

Hardik Patel: And where are we with the interest cost? What is our present interest cost?

Mayuresh Kore: We are at an interest cost of 11%, 11.2% with the overall borrowings of the company. We are trying to bring it down in the coming year because post the reduced debt amount there will be avenues for refinancing or any other options with the lower debt quantum.

Hardik Patel: So, we were discussing on the 5/25 scheme with the lenders. Is there any update on that?

Mayuresh Kore: Yes, the lenders have advised that while this sale of non-core asset exercise be completed first and parallely the 5/25 scheme can be done because then only the residual debt needs to be coming under the 5/25 scheme. So this will be the next step after the debt reduction exercise and the asset sale as advised by the lenders.

Dhimant Bakshi: It also throws open opportunity for any other interest that one may have because the debt quantum would have reduced by good 35% from the books.

Hardik Patel: Okay. And my last question is on, so the balance monetization that is going to happen of about Rs.350 crores. So out of that, would there still be any component of the general corporate purpose or will it be entirely towards the secured debt repayment?

Mayuresh Kore: This would be entirely for reducing the secured debt.

Moderator: Thank you. We take the next question from the line of Pratik Barasia, an Individual Investor. Please go ahead.

Pratik Barasia: Can you give me the revenue for the quarter for ticket sales and from the hotel?

Mayuresh Kore: Yes, the revenue from ticket sales for the theme parks and water parks combined is Rs. 35 crores, just the ticket sales. And the hotel revenues are Rs. 9.12 crores.

Pratik Barasia: Okay. And the balance is F&B?

Mayuresh Kore: The balance is F&B, retail, and others.

Moderator: Thank you. We take the next question from the line of Sameer Dalal from Natverlal & Sons Stockbrokers. Please go ahead.

Sameer Dalal: So, my question relates to you discussed about the snow parks and the Bollywood things that you are setting up. It's a Rev Share model where you are not putting any capital. Can you give us some indication on what is the kind of revenue that you've got at this snow park business at the moment? And what was the revenue share that you get as a percentage of the revenue? And how does that change going forward if at all does?

Mayuresh Kore: For this current quarter, the snow park revenue was Rs. 91 lakhs, which is our net share of the revenues. So, we have a revenue share with the operators of snow park which is 75% goes to the operator, and 25% goes to us. So, this Rs. 91 lakhs is the net share of 25% to us all the expenses are met by the operator. And regarding the new attraction of the Bollywood museum, I think, Dhimant will present that.

Dhimant Bakshi: Yes. So, essentially the way the entire arrangement works is that the partners come with their core competence of bringing an attraction or IP as they may own and CAPEX to set up the entire project and our deliverable to them is to drive the footfall as the market destination in its true sense. So, they get a steady stream of footfall, so that is how essentially the basics of the arrangement is. So, it's a very win-win symbiotic arrangement that one gets into. With regards to the Bollywood museum concept, it's not like a madame tussauds or it's not like a wax museum that you see generally in the country or overseas the concepts that we all are familiar with. This is, in fact, a very unique proposition where in which it brings alive the characters of the film and does not only talk about the star of the film. So that's how the entire positioning and imagery is, and some of the very iconic as well as very popular movies that you would have seen in recent times, those sets get recreated along with a participative and a very interactive form of museum. At this point of time, I would like to only give you the trailer and not show you the full movie. We are opening soon around April end or early May, by that time, we would like to invite you to see this concept for yourself. What it would also be able to offer is you can, in fact, create your own or we all can create our own individual clone as 3D figurines through this concept. So, that's one more offering apart from the core proposition of Bollywood museum. As you are aware that Cricket and Bollywood are two biggest footfall drivers for India as a country. And therefore, we have tried to leverage on this association, and the partner who brings this concept on the table, he is an IP owner of this concept of 3D cloning as an activity and therefore it makes commercial as well as long-term sense for the brand.

Sameer Dalal: Okay. And what is the Rev share that you have for that part of the business as well?

Dhimant Bakshi: Rev share ranges from 35% to 40% depending on the footfall that we get. There we also have a component of minimum guarantee.

Sameer Dalal: Okay. Now, the last thing, you also mentioned you've started this whole camping kind of a set up where you've build these tents and put up these tents and you are allowing. So, when did this concept started and what was the kind of revenue that came from that? And what is the expectation of revenue that will come from there and margins that business could provide?

Dhimant Bakshi: Yes, so the concept essentially was, it was a concept that we've piloted on 31st of December that went by. So, we had rolled out 250 tents for the guests to experience off. Of which, the idea was essentially to give a Camping Adventure Tent. We did not really do the luxury tent category in this to start with, because, we first wanted to understand the potential and build hospitality learning in this category, because it is not just about setting up a tent and saying that, okay, come and stay. We are a brand and we offer proper experience. So, therefore, we piloted with 250 tents, we have got our own learning in this. And we did not procure this tent as our investment, but like any initial dipstick would happen, we did through a Rev Share and we earned net profit out of this, in their initiative of Rs. 8 lakhs for one night. So, that is how we saw this as a venture. And we think that over long weekend and our entire region is very favorable for doing camping and adventure activities. And we would plan for this on very many long weekends and stronger days rather than trying to do it everyday. We also can explore into VIP, Kabbalah tent categories as well. We would wait for some more experiences and more learnings before we embark on this journey. But, yes, we will continue to do so.

Sameer Dalal: Sorry, I just wanted to go back to the numbers, if you can, I mean, I'm happy with the concept that you are talking about. But, you said you got a revenue of Rs. 8 lakhs from one night?

Dhimant Bakshi: It's not revenue. The revenue share of 8 lakhs, so that means this is what we realized as the value.

Sameer Dalal: For one night? This will be only for one night. And what is the rev share that you have, so I mean roughly?

Dhimant Bakshi: Yes, so in this particular category, I think, our rev share was 25% on the tenting plus this we also included the revenue of the F&B that we earned out of it.

Sameer Dalal: Okay. So, you're saying 250 tents would generate a revenue of 32 lakhs in one night. Is my understanding correct? Because if yours is 25% and 8 lakhs?

Dhimant Bakshi: No. But this Rs. 8 lakhs also includes the F&B components. So, basically, like, we said that we want to propel consumption. So, when a person comes in, we sell a package in such a way that it includes tent which is the stay and F&B which we provide as breakfast and dinner as options. So, it is a component of about 40-60 favoring the F&B business.

Mayuresh Kore: But this was on an experimental mode which we did. So, this template is revolving and so we may review in terms of how do we take similar…

Dhimant Bakshi: Yes, so, like I said, it is more a hospitality experience than really just setting up tent and letting people come in. So, we've, in fact, defined a proper check-in and the check-out experience as you would see in any hotel because safety, security and the entire convenience of stay is our service delivery as a promise.

Sameer Dalal: Sure. And what kind of EBITDA margins, given that cost of the F&B would be yours and getting all the other costs?

Dhimant Bakshi: So, we're not really gone into slicing down to this level as yet because we think that, we want to first define the contours of this entire product category and then we will stabilize this. So, I would say, that it is little early in a day for us to respond to this because we are still putting our act in place on this in a sustainable scalable way. But we see this as a clear and strong way forward and this is the feedback that we have from the people who stayed, the guest who took the tent as a service.

Sameer Dalal: Fair enough. Now, as a combined entity, given all of the services that you have, which are lot of them are revenue share, lot of them are going to start up only now. How would you see your operating margins in FY'19. Is there some sort of guidance you would be willing to give us given that a lot of the cost is not borne by you for lot of the new projects that are there and if the revenue with the footfall increasing. How would your operating margins look like in FY'19 and maybe going forward?

Mayuresh Kore: Yes, I think some of this questions we would like to respond in the next earnings call, by which, as you are seeing that some of this concepts are coming up now, and we have been very closely monitoring some of this concepts to see how best it can scale and how much that it take to develop. So, I think, I would hold the temptation to answer this question, while we would still want to, but we would say that in Q4 earnings call is when we would answer this question for you.

Sameer Dalal: Okay. Now, the last question, if I can get the chance. At your water parks and your theme park that is where you setup the CAPEX and you do the running and operation. What kind of CAPEX are you looking or what kind of attraction that you are planning to add into that? And what is the total cost of CAPEX you all are going to be bearing for that? And also, lastly, what is the total maintenance CAPEX for your theme park and your water park?

Mayuresh Kore: Coming to the CAPEX part to add up new attractions into the theme park and the water parks. So as you would have seen over the last 1.5 years, the addition in attraction is made by the investment by JV partners. So, we, as a constant strategy are not investing into adding new attractions or capacity. We believe there is already sizable capacity that we have created by virtue of our attractions. New offering are such as snow parks, family entertainment center or the museum are actually getting added as an investment being done by the JV partners. So, we really don't foresee any need for any capital expenditures to add new attractions in the next couple of years for the theme parks. Water park, we may contemplate taking one or two smaller attractions to boost capacity on peak days. We are just working on some basic additions and we could also even contemplate getting such attractions on a need basis. So, we are kind of moneying for that, but there is definitely no significant.

Dhimant Bakshi: So, water park, we have seen the capacity being tested on several locations, and we think that by having very limited CAPEX, it will still give us the relief on capacity expansion. At the same time, it is the opportunity that we see, we should seize. However, on theme parks, we are fairly comfortable and in fact theme parks we have clearly taken a stance that we would be happy to invite external players who want to bring their concepts in like how we have been doing. We may have some very interesting announcement to make sometime in a couple of months for very exciting introductions which again, like I said we will wait for some time to unfold. As far as the maintenance CAPEX that you mentioned, maintenance for us is an OpEx item and it's a P&L item that we carry out. So in every year's the budget that we follow, there is no separate CAPEX activity that we carry out on maintenance, and since our rides are international rides with very reputed manufacturers with top most quality of rides that we have. These do not require such kind of rehauling that you may, probably be hearing otherwise in the industry.

Mayuresh Kore: So, the annual maintenance number is about Rs. 8 crores, 9 crores which is already there in the P&L. So that's what we'll continue.

Dhimant Bakshi: The EBITDA that you see is the net of that actually.

Moderator: Thank you. We take the next question from the line of Kunal Parekh, an Individual Investor. Please go ahead.

Kunal Parekh: So, there was a news on Bloomberg Investor Promoter mentioned that you are planning to raise additional funds of Rs. 150 crores and there was separate news on Economic Times where it said that the amount is approximately Rs. 600 crores. So, the additional funding would be, how much?

Dhimant Bakshi: The additional funding would be in the region of Rs. 150 to 200 crores, I think, the mention in the ET also included our debt reduction plus the overall further infusion that we are looking at as a number. So, it was not really a statement that came from our side. we definitely told them about the various initiatives that we are carrying out, but we did not mention this amount from our side.

Kunal Parekh: Right. And so this money is for adding new attractions or is it to reduce the debt?

Mayuresh Kore: So, as of now, we are just exploring various options. So, the conversations are ongoing. So, there is no concrete announcement or anything which is there. So but at this stage, we would not like to comment on this. I think in the next few months the development will be shared in due course.

Kunal Parekh: Right. And the approval from lenders for the properties should happen in this quarter?

Mayuresh Kore: Yes, we are working on full steam to get both of these approvals by 31st March 2018 considering the consortium is comprised of about 13 lenders at various stages. So, I think, we are fairly optimistic to cover it in the next two months.

Dhimant Bakshi: Yes, the good news is that, the lenders are also very supportive of our initiatives, and they appreciate management's portraitness to carrying out and slicing business in a very methodical way of seeing what is core and non-core. And how offloading non-core assets would help the balance sheet and therefore make this business more sustainable and capable of expansion in future as time progresses.

Kunal Parekh: And money raised from the preference share that you have mentioned in your press release some of them has been used for debt repayments. Would the entire sum, later on, would be used for debt repayment. I think Rs. 23 crores has been used for debt repayment, if I am not wrong?

Mayuresh Kore: Yes, this was basically after the preferential issues whatever some short-term loans that were taken to increase cash flow requirements, so that were taken off. So the entire Rs. 50 crores is like 50-50 mix of general corporate and reduction of debt broadly. But the long-term debt will be reduced from the asset sale, as I mentioned, previously over the call.

Kunal Parekh: And what are our strategies to improve our food and beverage revenue because most of I think focus is on adding attractions and other things, but what are our plans?

Dhimant Bakshi: No. So, see, the focus is multi-fold and multi-pronged. It is not that this versus that, but it is a sum total of various initiatives, so one is to expand the market reach. If you will see our investor presentation also it clearly highlights that a) we want to expand the market from in catchment as well as non-catchment. There are very typical seasonalities of visitation which we keep following. Apart from that, there are resources available in our capacity in terms of park. And we think that we should try and sweat our assets and by tapping newer initiatives such as tenting or tapping the new revenue share attraction opportunities. And thirdly, to increase dwell time for customers that come to the park by providing more F&B and the merchandise portfolio that we have. In fact, F&B and merchandise portfolio is apart from rides and the entire IP that these are big differentiators. If you will see, our non-ticketing portfolio, we are very proud of our non-ticketing portfolio and it is comparable to any international park and people when they come to our, first of all, I hope you have visited the park.

Kunal Parekh: Yes. I have.

Dhimant Bakshi: So when people come to the park, unlike most of the parks that you will see in India, where either there are only food kiosks and not proper restaurants, not a full-fledged five, four cuisine options depending on which park you are in, whether theme park or water park. So that itself is one of the sweet points for people to come and enjoy the park. So, we have built our own in-house expertise on food and merchandise for that very reason because we think that it becomes very scalable and it is really the growth engine for the business.

Mayuresh Kore: I would like to add that, your first question, the food and beverage, in fact, revenue in this quarter has grown nearly 25% over the corresponding quarter. So, definitely food is on our focus area. And, I mean, the statistics are reflecting, the strategies are working.

Dhimant Bakshi: Actually food business has to be our focus. It is not an option for business like ours and we have clear cognizant of the fact that we need to get stronger and stronger. In fact, we are very happy to inform you that we have launched our own brand of packaged water also now. So, that is the way that we are moving towards. You will soon see more varieties of product in F&B that you will see as new launches. In fact, in merchandise, we are also now present in Hamleys, we have got first entry in the Hamley retail store, which is a very prestigious British toy store, and they appreciate the kind of IP that we have on the character merchandising and slowly and steadily, it is also a business which is ramping up.

Kunal Parekh: And are we having any metric to track repeat customers to the park?

Dhimant Bakshi: Yes. So, we do have that metric and there is a constant effort to increase the product portfolio that we offer for increasing it, tracking it and ensuring that they come and repeat. So, one is to sell a product which is repeat and other is to encourage the guest to come and utilize the services. So, yes, it is a core focus of our business, and we are very committed to drive the repeat visitation because that is really the way to go.

Kunal Parekh: And our typical demography, is it predominantly kids or is it family or corporate or are we going in any particular target market in terms of our marketing efforts?

Dhimant Bakshi: So, it is a very interesting format, it is not only one genre of audience. So depending on the different seasonalities, you will see very different varied audience. So, first and foremost, we are not designed to be built only at children's park. We are a family park, which is completely thematic and what we bring on the table is the immersive experience. Very many times people consider our park like any other amusement outdoor park that India is used to, whereas we have differentiated IP and the key word for us is immersive experience. And that's something which we offer, right. So for us the audience is either complete family audience wherein with people from all walks of age and walks of life can visit. So, it is not that a roller-coaster cannot be experienced by a 65-year, 70-year old person. It is about what is his ability to experience thrill and experience how fun loving the person is. The quotient is that. It is not only a metric of age. So, that's the product really.

Moderator: Thank you. We take the next question from the line of Mahendra Jain from Way2wealth. Please go ahead.

Mahendra Jain: When do we expect this bill to get cleared by this quarter or next quarter?

Mayuresh Kore: So, the only thing pending, as we said, the lender's approval, considering the large consortium, we are working aggressively to complete this in the next two months.

Mahendra Jain: Next two months, okay. And sir regarding the new development regarding the placement. So, are we in discussions or conversation with some investors to invest and has it started to move forward?

Mayuresh Kore: So, we already completed our preferential issue in December of Rs. 50 crores. And as we just spoke a while back, there are talks at different levels, there was a media article recently which was there. However, no concrete plans yet regarding this, and we will keep you updated over the next few months on this.

Dhimant Bakshi: Our focus is on, first thing, completing the two transactions because the two transactions are, to be very honest, in our opinion then the kind of responses that we have got are essentially gateway to next round of expansion, funding and further new opportunities. So, we will discuss with you at the right time when we have greater line of visibility, but let me assure you that as a Management and as the Board of Directors, there has been sincere efforts to make sure that we embark on this journey faster.

Mahendra Jain: Secondly sir, we did an agreement for advertising, what benefit are we really receiving?

Mayuresh Kore: I think you have asked about the Times of India transaction and the benefit to us. So, while in the P&L, the benefit would not be evident because we need to book the entire expense. The savings is really in the cash flow because for every Rs. 100 that we spend on the Times platform which we book also in the P&L, only 35% cash outflow is there, the balance 65% equity has already been issued with the transaction we announce somewhere in May and June year year. So, the savings really is in the category.

Dhimant Bakshi: But the intent of doing this entire deal is because we see a merit in associating with Times of India group and having a very wide national reach and it's a very important arrangement for this business and brand building overall.

Moderator: Thank you. We take the next question from the line of the Darshan Parekh from Anand Rathi. Please go ahead.

Darshan Parekh: When will you be PAT breakeven?

Mayuresh Kore: We have uploaded our investor presentation. We have given a guidance in the presentation, in terms of the path for the next two, three years in which there is a slide for vision 2021. And we are happy to announce that we are on course to achieve those milestones and the cash break-even thereby. One important factor is that post reduction of the debts from the balance sheet, the option of refinancing and a scope for further reduction in interest cost on the lower debt. So, if you are able to do that, we don't see any reason why we shouldn't reach there in FY'20, '21 as we have declared in our presentation uploaded on the site.

Moderator: Thank you. We take the next question from the line of Rahil Jasani from ICICI Securities. Please go ahead.

Rahil Jasani: I wanted to ask if with the GST rate cut from 28% to 18%, will you be taking a price cut or will it totally act at the ARPU we earn?

Dhimant Bakshi: The benefit of the GST, it is not completely fair to take this full benefit. We are yet to work on this entire mechanics since we are awaiting clarifications from the government on the SGST refund process. The moment we have that, we would be in a better position to answer this question.

Rahil Jasani: Okay. And when do you approximately expect that to come?

Mayuresh Kore: I think in another two to three weeks, we should be able to because post the budgets there have been announcement. In fact, there was one important announcement that happened yesterday on how the process would look like. In fact, we've been constantly in touch with various officials to understand, how and when and how quickly it can actually be ploughed back to us as the refund mechanic. So we are as concerned and as pro-actively working on it as your point is. So, completely I'll resonate this point.

Rahil Jasani: Right, got it. Okay, and second question is on new parks, probably, so with the fund raising that you are talking about in the future with debt reduction, not soon but may be in the future. Do you see expanding into newer cities with new parks?

Mayuresh Kore: So it is a great question actually and we have ambitions and we are exploring opportunities as well because this will unlock the true value of the brand and this will unlock the true IP value that we have. So this being an operating leverage business, any new park additions or any new concepts that one really roles out, it is going to flow into the bottomline of the business significantly. So we do see the need of further expansion and obviously with any new infusion that we see, we could do that. In fact, there are several people who are trying to reach out to us for licensing or franchisee options also. We are evaluating it, we are very careful of whom to give the brand to and how the operating standards than the SOPs would get maintain because that something which is of prime importance to us. But answering your question in one line, yes, we are open for expansion and obviously there will be efforts to utilize the new infusion for future growth as well. So we are not wanting to remain a one location business so that's really the vision.

Moderator: Thank you. We take the next question from the line of Hardik Patel, an individual investor. Please go ahead.

Hardik Patel: Yes, I have a follow-up question on the tenting. So, what is the tent that was set up that would accommodate how many people in one tent?

Dhimant Bakshi: Two people.

Hardik Patel: Two people. And so like so that is about like 500 customers that we got for at one night wherein the footfall was approximately 14,000. So, I just wanted to understand, if there was really a demand, how many tents can we set up like how many extra space do we already have?

Dhimant Bakshi: So the elbow room that we have post the 204 acres of transaction that we have commenced, we still have 30 acres of land available with Adlabs Entertainment Limited and very honestly, we have not really got down to measuring the number of tents that we can set up, but in my guess, it wouldn't be nothing less than 800 to 850 tents that one can really build in, and it is an approximate number. I don't think it is a problem really. But it is a guesstimate, that's not really an estimate.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants, I would now like to hand the conference over to Mr. Dhimant Bakshi for closing comments.

Dhimant Bakshi: So, we would like to thank you for your participation and we would be very happy and open to answering any questions that you may have in future and you can reach us on the contacts and the coordinates that we have provided. So, feel free to get in touch and we look forward to your continued interest and valued inputs. Thank you very much.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Adlabs Entertainment Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

"Adlabs Entertainment Limited Q1 FY 2018 Earnings Conference Call

July 28, 2017

MANAGEMENT: MR. KAPIL BAGLA – DIRECTOR AND CHIEF EXECUTIVE OFFICER - ADLABS ENTERTAINMENT LIMITED
MR. MAYURESH KORE - CHIEF FINANCIAL OFFICER - ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and gentlemen good day and welcome to Adlabs Entertainment Limited Q1 FY2018 Earnings Conference Call. This Conference Call may contain forward-looking statements about the company, which are based on belief, opinion and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Kapil Bagla – Director and CEO, Adlabs Entertainment Limited. Thank you and over to you Sir!

Kapil Bagla: Good afternoon everybody and welcome to the Q1 FY18 Earnings Call. I think we are very pleased to have you back again in the first quarter of this financial year.

The total revenues for Q1 stand at Rs. 86.26 Crores vis-à-vis Rs. 85.95 Crores in the corresponding quarter of the previous year, which is largely flat, signifying a growth of about 1% on a year-on-year basis; however, the EBITDA in Q1 stands at Rs. 32.23 Crores versus Rs. 30.23 Crores in the corresponding quarter of the previous quarter signifying a growth of about 7%. Consequently, the EBITDA margins have increased by 2 percentage points to 37% from 35% last year. The footfalls in all the parks put together stand at Rs. 5.75 lakhs versus Rs. 5.17 lakhs, a good growth of about 12% on a year-on-year basis.

Some of the key highlights and developments in Q1 are as follows:

The first thing that we would like to point out is that this season Q1 which is the summer season, we observed an affinity of customers for the water park. This was expected due to the summer season however the shift was a little more than anticipated. In this quarter, the footfalls to the water park were at 58% versus 42% at theme park whereas in the last year of the same quarter, it was almost 50-50. So the water park did exceedingly well, in fact for 15 days in the entire season, we were almost running at full capacity with about 6000 guests and I think that is a good sign.

Secondly, we need to discuss a little bit about the pricing / ARPU and all that we did in terms of our realization. As discussed in my last earnings speech, we had re-introduced deal days in the form of Happy Tuesday and Wat-a-Wednesday with effect from Q4 of FY2017. This pricing was available for a limited quota of customers on Tuesday and Wednesday. In the corresponding quarter of the previous year, we did not have these deal days. So consequently, there is a reduction of overall ARPU from the last year by around 14%. The decrease in ARPU is not necessary because of the deal days but also on account of a big change in product mix to the water park, which is comparatively a lower-priced product. However, the point to be noted is that on the deal days the ARPU was up almost 15% for Wat-a-Wednesday and 9% for Happy Tuesday over FY2016 where these products were first introduced in the market.

Despite the ARPU reduction, we have maintained our revenue. The decrease in ticketing revenues were covered by the increase in non-ticketing revenues which is again a good sign. I am pleased to inform you that the non-ticketing revenues increased to 33% of the overall revenues in this quarter, which were generally around 28%, 29% in the previous year. In fact, for May 2017 (one month), we achieved the highest ever monthly revenue in F&B and retail business since launch. So the direction that we want to go, which is improving the non-ticketing revenues, I think we are progressing towards that direction.

The second aspect was the rationalization of operational costs. As discussed in my previous call, last year in FY2017 we had made continuous efforts to optimize the operating costs for the Park business and achieved an overall reduction of approximately 18% / 19% in the operating cost of the company. This was achieved in one year. In Q1 we have further achieved a reduction of operating cost of the park by 5% and overall reduction by 2.5%. This obviously will be a little muted this year because of the base effect. Last years reduction of costs was almost permanent in nature and it will continue. This quarter we however faced some increase in direct cost like the COGS, which is cost of goods sold, which went up due to increase in non-ticketing revenues and power cost, which increased due to change in tariff structure and policy of open access. We will continue our effort for optimizing cost in this year as well. Since significant reduction has already been achieved in the last year, we may not see that level of reduction on a year-on-year basis.

Coming to the hotel business, Novotel Imagica continues its robust performance in Q1 with an overall ARR of Rs. 11,261 which includes the room ARR of Rs. 6,598 and F&B ARR of Rs.4,663, this signifies a growth of 7% over the corresponding quarter last year and this also on a relatively higher occupancy. This quarter, we saw very good demand from corporates and MICE as well as social segments. In fact, we hosted five destination weddings in Novotel Imagica in Q1 of this year. I am please to inform that the wedding bookings are almost full for all the auspicious days going forward in FY2017-2018. We are also gearing up for the operations for the balance 171 rooms for which we are confident of getting operating permissions in Q2 as most of the modifications suggested by various government agencies like MoEF, MPCB, fire department as well as Town Planning Departments have been rectified.

Last quarter we discussed that we had an intent of an investment from Bennett & Coleman to support our marketing activities. We are pleased to inform you that the investment process has been completed and we have already started utilizing the funds towards the marketing in print and non-print media as per the marketing plan.

We always keep ourselves very, very focused on customer satisfaction and the reviews that we get from customers. We are pleased to share that TripAdvisor in the latest traveller’s choice ranking of attractions around the world has ranked Imagica Water Park 14th amongst the top 25 water parks of the world. I think this is a great achievement and we are the first to be listed in the top 25 parks of the world. This motivates us to continue striving further towards improving customer experience at the park.

So this was a little bit of a run down on the Q1 highlights. I would also like to dwell up on some of the strategies for the balance of FY2018 and also the outlook for Q2 of this year.

One constant focus for FY2018 will continue to be EBITDA growth and market expansion. You have seen for the last four quarters consecutively we have improved our EBITDA and we have improved our margins. We will continue to pursue this target aggressively for the balance of the year as well.

Secondly, we are now making concentrated effort to monetize the surplus land of the company, which we will effectively use to repay the debt of the company. As we had informed last year that our subsidy Walkwater Private Limited had received a locational clearance for developing a special township on part of the surplus land. The government of Maharashtra had notified a revised guideline for integrated township policy, which permits even higher FSI for such developments. We are now in the process of revising the township approval under the new policy for 115 acres of the 170 acres surplus land that we have with us and we hope that to get the layout approval as well as the environment approval before the end of this financial year.

Further, we are also engaging with multiple developers to develop smaller parcels of the balance surplus land. The real estate market is going through a positive change with the implementation of consumer-friendly policies like RERA and affordable housing and therefore we see good potentials in exploiting the surplus land to real estate development jointly with multiple developers and these cash flows will be used further to reduce the debt of the company.

Another focussed area for FY2018 would be the balance sheet of the company and we will aggressively push for the reduction or rationalization of our debt and debt repayment with our banks. In line with the RBI policy, we are proposing a corrective action plan with our banks by rescheduling and extending our repayment schedules under the permissible 5/25 scheme of the Reserve Bank of India. This will ease out the cash flow burden of the company from FY2019 onwards when our debt repayments are scheduled to commence. We hope to complete this process with our banks in the next six months’ time. So, I think there is a lot of activity happening on this front as there were concerns in our previous calls regarding the balance sheet of the company.

On the operation side, in Q1 we had faced constraints on capacity in the water park particularly due to season time and we wish to expand the capacity of the water park by a little investment, by adding about two or three rides and also increasing the F&B capacity and the Entry Plaza of the water park. This is not a very large capex as and we should be able to manage it, we are confident that this incremental capex will be paid off in one or two good seasons itself with the incremental revenues.

As you would know that Q2 is generally a weak season for us due to heavy monsoon and also due to the start of a new academic year for schools and colleges. We are however trying to create an opportunity for this season particularly by having a focused marketing effort on the local hill stations of Lonavala and Khandala near our park which sees heavy increase in traffic due to the monsoon season during Q2 and I think our team is pursuing and launching specialized localized marketing and sales initiative at Lonavala to capture the audience. In line with this, we have established retail activities in active tourist spots as well as hotels and also initiated an outdoor campaign in tactical locations in Lonavala and Khandala. We hope that with this strategy, we will be able to improve our business in Q2 in comparison to previous years.

Further in order to provide our guests, particularly children with some more entertainment options at our theme park, we are pleased to state that the family entertainment center inside Imagica is ready for operation and we will start formal operations from 1st of August. You would know that we have not made any investment from our side for this activity and we are into a revenue sharing arrangement with the FEC operator. We will continue to exploit the real estate inside the park in adding on such activities and such attractions on a limited or a no-investment basis in the future as well. So, as we all can see that this financial year there are challenges but there are opportunities as well for us and we will try to make our best of the opportunity and try to handle the challenges with a lot of vigor and with lot of effort from our entire team.

With this I would like to hand over to Mr. Mayuresh Kore our CFO to discuss the financials of Q1 FY2018 in detail. Thank you.

Mayuresh Kore: Thanks Kapil and good evening everyone. I will now talk about the detailed results for Q1 FY2018. Talking first about the details on footfalls and ARPU.

The footfalls achieved for Q1 FY2018 are 5.75 lakhs versus 5.15 lakhs for Q1 FY2017. The break up being as follows. Theme park 2.07 lakhs, for water park 2.84 lakhs and for snow park 0.83 lakhs. The theme park and water park combined revenues stand at Rs.74.57 Crores, for hotel at Rs.10.77 Crores and Snow Park at Rs.1.28 Crores. The total revenues for Q1 stand at Rs.86.62 Crores.

The gross realizations per visitor for Q1 FY2018 are as follows. The weighted average ARPU for theme park and Water Park combined in Q1 FY2018 is Rs. 1,516 versus Rs. 1,757 in last year Q1 a drop of 14%. The theme park ARPU for Q1 FY2018 is Rs. 1,880 versus Rs. 2,091 in last year Q1, a drop of 10%. In this the ticketing ARPU is down by 19% while the non-ticketing ARPU is up by 22%. The water park ARPU for Q1 FY2018 is Rs. 1,250 versus Rs. 1,432 in last year Q1, a drop of 13%. In this the ticketing ARPU is down by 18% and non-ticketing by 2%. Overall the EBITDA for Q1 FY2018 is Rs.32.22 Crores versus EBITDA of Rs.30.23 Crores a growth of 6.59% over the corresponding quarter.

The management efforts this year are directed towards increasing the footfall growth as well as improving our margins. Accordingly, the EBITDA margins for the current quarter have improved to 37.2% versus 35.2% in the corresponding quarter of the previous year.

The hotel is continuing with its stellar performance and has thrown a capacity utilization in Q1 of 90% and ARR including F&B of Rs. 11,261 vis-à-vis occupancy of 88% and an ARR of 10,159 in last year Q1. The breakup of this year's ARR is as follows. The room ARR is Rs. 6,598 while the ARR from F&B and others is Rs. 4,663. Thus, the total ARR per room of Rs. 11,261.

Moving to the cost analysis, the cost related highlights are as follows. The overall Q1 operating cost including the hotel have declined by 2.4% compared to last year's Q1 from Rs.55.71 Crores to Rs.54.39 Crores. Notably the fixed operating cost for the park business have come down by approximately Rs.4.42 Crores in this quarter that is Rs.1.47 Crores per month because of our ongoing efforts to optimize cost. The cost related to employee benefits has also reduced by an absolute amount of Rs.1.45 Crores for the quarter, which is again resultant of strategic manpower rationalization. There are important savings in advertisement, sales and marketing expenses of Rs.1.89 Crores in this year Q1 versus last year Q1. Over and above this reduction, we have additional cash flow savings due to various barter schemes and as further we will leverage the BCCL transaction to reduce cash outflows under this bucket. Notably this lower advertisement sales and marketing expenses on a considerably higher footfall indicate that our cost of acquisition per customer has reduced by more than 36% over the previous year. In other expenses as Kapil mentioned there is an increase in the head of power and fuel cost to the extent of approximately Rs.60 lakhs primarily due to a 30% change in the drawing mix of the open access. However, we have initiated a bid process this year for reducing our power cost through competitive PPAs and we will decide in Q2 for the same.

The raw material costs this year are higher by 1 Crore primarily due to an increase in the non-ticketing revenues i.e., F&B as well as retail merchandise in the overall revenues. Other notable savings include savings of Rs.55 lakhs in the housekeeping expenses and Rs.58 lakhs under the entertainment expenses.

Coming to the interest cost, the finance cost for Q1 is Rs.31.96 Crores versus Rs.29.19 Crores in previous year Q1, increase being primarily since interest on the hotel capital work in progress has been taken onto the P&L this quarter since the construction of the hotel is fully completed. The debt outstanding as on June 30, 2017 is Rs. 1,034 Crores. As you are aware, the GST council had finalized a rate of 28% on park tickets, 12% on F&B which is 18% for A/C restaurants and 28% on the room rates in the hotel. While the rates on the park tickets of 28% are broadly in line with the previous rates of 15% service tax and 15% entertainment tax; however, for ET we had an exemption. So, from now onwards the process of refund is being formalized by the state government along with other area-based exemption to other industries. We have worked out the pricing and promotions such that the cost to customers does not change much.

We would now like to open the floor for question and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Himanshu Chhabra, Individual Investor. Please go ahead.

Himanshu Chhabra: I just want to know what is the roadmap for the monetisation of the surplus land. Since the last year we have been hearing that this monetisation is in process and then I guess last year the approvals were received and almost one year has gone by but nothing concrete has happened. As far as our shareholders are concerned, we are not getting that thing speeded up so we just want to know what is the deadline as to the monetisation of the surplus land.

Kapil Bagla: You know that for any process of real estate to develop and get into development stage, it is a process of minimum 18 to 24 months, which we had indicated last time also when we got our approvals in place for the balance approvals coming in. Unfortunately, the second half of the last year, the real estate market was very dull and dead because of the effect of demonetisation and other stuff that happened and that was the reality almost everywhere. So any concrete development was not possible.

We are seeing in the last couple of months due to some changes in policy and also with the money coming back to the market a little bit, I think there are developments in terms of actual work happening on site. So we have expedited our process for the township approval. In January, the revised policy of township was approved which would benefit us in terms of a larger FSI compared to earlier. We have decided to convert our existing approval into the revised policy which is currently going on. We are quite confident that the approval system to start groundwork on the site would be over by the end of the financial year for a larger pocket where we have the township approval. However, for smaller parcels we are quite confident that we will see activity of ground in Q4 of this financial year. So effectively the work will start on site on ground hopefully by Q4 on the smaller parcels and in Q1 next year for the larger parcels.

Himanshu Chhabra: And just to add to this question, right now the company is only servicing the interest cost as far as I understand. So the repayment of the debt has to also start from June 2018 if I am not wrong.

Kapil Bagla: Correct.

Himanshu Chhabra: So if the company is unable to get those cash flows going into the company, what is your plan B for the repayment of those debts.

Kapil Bagla: Obviously the real estate exploitation is a backup plan or a buffer plan but actually speaking we are working with the banks to change the repayment schedule and extending it to a longer period based on the current cash flows of the company which is under the 5/25 scheme of the Reserve Bank of India. This is a permissible scheme where the lenders align the repayment schedule as per the existing cash flows of the company so which is what we are working on right now and we should be able to do that in the next six months' time.

Himanshu Chhabra: What sort of per quarter cash flow requirement will arise from June 2018?

Kapil Bagla: We feel that if we are able to get this 5/25 scheme approved which most likely will be because it is not a restructuring scheme it is a re-schedulement scheme. So banks are very open to do that. The cash flow requirements will remain the same for this financial year as they are in the previous financial year.

Himanshu Chhabra: No I am asking about effective June 2018.

Kapil Bagla: Yes that is what I am trying to tell you.

Mayuresh Kore: So basically the repayment which is commencing as of now from June 2018 for financial year 2018-2019 will get pushed ahead to two more years, so the repayment will then commence from FY20 onwards as per the plan that we have been talking with the lenders, so this will be extending from FY2020 to FY30 with a ballooning effect.

Himanshu Chhabra: Also in the previous call it was told that the Interest rates have revised from 12.5% to 11% but right now the rates which are prevalent as per the MCLR are in the range of 9% to 10% so as the finance team is taking up more avenues for the debt restructuring they should do something for the interest cost as well.

Mayuresh Kore: Based upon the monetisation of certain assets where the debt levels do start coming down I think we will be in a stronger position to command such rates. We will be glad if this MCLR does fall down further since we are charged as per floating rates. So we may be able to push the levels down from 11% however as of now, immediately we cannot commit or comment on that but if it does happen I think it is good for all stakeholders.

Himanshu Chhabra: Thank you very much.

Moderator: Thank you. We take the next question from the line of Shobhit Tiwari from Bajaj Allianz Life Insurance.

Shobhit Tiwari: Sir we saw a rating downgrade this quarter and the statement was released regarding delay in interest payment so can you throw some light on that?

Mayuresh Kore: Yes so Adlabs is required to have a external credit rating with respect to our consortium loans which are essentially long-term loans and we had been rated BBB minus by CARE and BB by ICRA which is a reasonably good rating for our projects considering the cash breakeven was yet to occur (however rating agencies had taken a long-term view on the project and on the industry, on the promoters and the capability to service the debt). Unfortunately, on June 30, 2017 i.e a month back, credit rating agencies got a circular from SEBI which enforced that even if there is a One Rupee One Day delay they have to mandatorily downgrade to D. Basically it is a technical thing which they had to do irrespective of the overall long-term view on the project and the debt serviceability, They also noted in this downgrade debt post demonetisation effect. Obviously, we have a gap between the EBITDA and interest outgo, which are duly funded by us, but with some small lag. However, the rating agency's guidelines do allow this review to happen after a cooling period of 90-180 days where we can go back and have this rating reviewed so that there is an update on the rating.

Shobhit Tiwari: And Sir like how much was this delay in terms of days?

Mayuresh Kore: Post demonetisation in November and December that was our peak season on November 8, 2016 when the announcement was made so we usually have the Q4 funding out of the Q3 surpluses; so there was about 15-20 days delay in monthly payment however, so the rating agency had go by the book and accordingly they had to downgrade despite all the ground realities but they are open to reviewing this after the minimum cooling period which they are permitted.

Shobhit Tiwari: Okay Sir another thing, I understand you wanted the repayment re-schedule under this 5/25 scheme. As per the current arrangements like what are the repayment for FY2019 and FY2020 and if this like scheme is implemented then what would be the repayment schedule?

Mayuresh Kore: We are having ballooning repayment schedule starting FY2019 onwards till FY2024, which was the schedule that was determined at the project stage. Obviously this 5/25 guideline allows re-schedulement of such repayment based upon the current cash flows so as on paper, it is Rs.80-90 Crores for FY2018-FY2019, which obviously with the 5/25, we will just reduce it to a negligible amount because we are just trying to get 2020-2021 as the first year of the repayment. We have interacted with all of our lenders and this is a guideline which many companies are using to extend the repayment schedule because they are allowed to do this once in the lifecycle as per RBI and it is treated as a normal standard kind of account and arrangement. So accordingly, we will initiate from 2020 onwards.

Moderator: Thank you. Next question is from the line of Bimal Sampat from Individual Investor. Please go ahead.

Bimal Sampat: Good evening Sir, you just mentioned that in 115 acres you have gone as per the new scheme. So earlier you were expecting about Rs.400 to Rs.500 Crores from the land monetization, so will this figure be revised upwards now?

Kapil Bagla: I think yes because earlier we were talking about 0.6 FSI between 0.5 to 0.6 FSI. This we can go up to 0.9 to 1 FSI. So if we are able to exploit the entire available FSI which may take a longer time, effective cash flows over the period of time will increase definitely.

Bimal Sampat: So how much can you just give…?

Kapil Bagla: Close to above 20% from what was anticipated earlier.

Bimal Sampat: 20% okay. So, about Rs.100-150 Crores more?

Kapil Bagla: Additional we can get.

Bimal Sampat: Yes, okay thank you.

Moderator: Thank you. We will take the next question from the line of Ankur Jain from Individual Investor.

Ankur Jain: Hi, actually I joined late. I have one query. What I found that the the footfalls have increased, but the revenue is very much flat and there is increased in F&B revenue, I mean everywhere there is an increased only in the ticket revenues there is a drop. So, whether we have taken some kind of drop in prices or what is the reason of drop?

Kapil Bagla: I think you missed my opening speech. Just to update everybody and for the sake of repetition, so two things happened this quarter which was not there in the previous corresponding quarter. One was the introduction of deal days which are special promotion days like Happy Tuesday and Wat-A-Wednesday. So obviously the average ARPU reduced for those reasons. The other thing was that due to summer season, the bias of footfalls was concentrated towards the water park which is a lower-price product. So both these effects combined together reduced the ARPU.

Ankur Jain: So actually the mixed cost change.

Kapil Bagla: A mixed change. Yes, exactly.

Ankur Jain: Okay. So going forward what do we expect in next quarter, whether our ARPU will increase?

Kapil Bagla: So this year we will follow this trend only, because we are continuing with the promotions activity. Our concentration is to improve revenues and margins and improve footfall. So whatever it takes to improve footfall so that what happens is that it has multiplier effect on the revenue.

Ankur Jain: For others usage it will increase, okay.

Kapil Bagla: On non-ticketing revenues.

Ankur Jain: Okay. Thank you.

Moderator: Thank you. Next question is from the line of Ravikant S from SPA Securities. Please go ahead.

Ravikant S: Good afternoon Sir. Thanks for taking my question. Considering your efforts towards launching new schemes like Happy Tuesdays and Wat-A-Wednesdays. There is a visible jump in footfall but consequently the realization had been dropped. Where do you see your bottom line to breakeven at a PAT level?

Kapil Bagla: At the PAT level? I think based on our calculations we will be PAT breakeven between 1.9 to 2 million visitors.

Ravikant S: 1.9 to 2 million.

Kapil Bagla: Yes, that is the PAT breakeven.

Ravikant S: At what mix in terms of water park and theme park?

Kapil Bagla: I think typically about a ratio of 60:40 or 55:45.

Ravikant S: Okay and along with what kind of realization growth you expect?

Kapil Bagla: I am just taking on the current realization.

Ravikant S: By what time you see this happening in the year FY2019 or 2020?

Kapil Bagla: We are pushing that we reach this in FY2020 definitely for the PAT breakeven because that we need to cover interest as well as depreciation.

Ravikant S: Fine. That is all from my side. Thank you.

Moderator: Thank you. We take the next question from the line of Bimal Sampat, individual Investor.

Bimal Sampat: Now you are talking about a small incremental capex for the water park, so how much are we planning to spend?

Kapil Bagla: We are just drawing down the number, but it will be in the region of about Rs.5 Crores.

Bimal Sampat: About Rs.5 Crores? So now since you are near full capacity in Water Park, will you continue with this offer of Rs.599 or you will try to raise the booking fee?

Kapil Bagla: We are open and we always change pricing strategy as and when it required and that too what happens is that this Rs.599 is not for everybody, it is a quota-based offer. This is largely done for marketing…

Bimal Sampat: No but now since you are saying it is almost full capacity on lot of days, so you can try to take advantage of that and second thing, malls are the biggest footfall generator especially in Mumbai and Navi Mumbai, do we have some plan to have presence there in any kind, like on Sundays you can sell your tickets Is there any plan because that will help your footfall?

Kapil Bagla: No, we understand that. We have already done some activation in some of the key malls like Phoenix and all in Mumbai, which we do Sunday flea markets and other participations of our characters. We are engaging with a lot of hypermarkets and superstores to promote Imagica. So I do not know whether you have observed this summer season we had tied up with Hypercity. We had tied up with Shoppers Stop and Crossword where we had given their customers as a loyalty program and our collaterals were displayed in the most of the Hypercity stores around Mumbai and some places in Pune as well. Yes I agree that mall activation is a activity and we will chalk out a plan how we can be little more entrenched over there.

Bimal Sampat: You can even do a cross selling like barter because you have so much of advertising space in the mall?

Kapil Bagla: Yes exactly.

Bimal Sampat: So that will also open up one avenue.

Mayuresh Kore: So we will be glad to take up such this thing, there is room for such types further because we were just concentrating on expanding our footprints and tie-ups accordingly.

Bimal Sampat: Right, okay. Thank you.

Moderator: Thank you. Next question is from the line of Himanshu Chhabra, Individual Investor.

Himanshu Chhabra: I would be asking one very small question, you mentioned about the credit rating agencies, revising the rating downwards with a delay of only 15 to 20 days. As a suggestion and my request to the promoter management in such cases the promoter management should come forward and avoid such kind of situations by giving a temporary kind of cash flow mismatch so that such kind of goodwill dampening issue should not happen. This is what I feel. I maybe wrong but it is my humble suggestion that such kind of delay in mandatory payouts should never happen. It shackles our entire confidence in the overall scheme of things. It is a request that such things should be avoided.

Kapil Bagla: Our promoter management is very, very cognizant of this thing. I think we always lean on their support as and when required. This issue was unwarranted actually and this downgrade was kind of out of the blue because if you know the day that the downgrade happened we were current on all our accounts actually speaking. So it was a much larger effect of demonetisation that happened, which was not just with our industry and I think most of the consumer industries were affected in terms of cash flows. Unfortunately, we just got highlighted with this downgrade that too when all these things had already past, but we take your point and I think we as promoter management we are cognizant that wherever possible to avoid such things we are always open.

Himanshu Chhabra: Okay. Thank you Sir.

Moderator: Thank you. We take the next question from the line of Darshan Manik from DH Consultants. Please go ahead.

Darshan Manik: Please provide us some details regarding monetisation and also regarding the funds received from Bennett & Coleman.

Kapil Bagla: I think land monetisation as a process, I cannot give you any specific numbers in terms of cash flows. Hopefully by the end of the year, we have much more crystallized plans when we will sign up with a few developers on that, right now discussions and negotiations are going on. We will be able to get some colour on the expectations of cash flows from FY2019 onwards from the land monetisation. As far as Bennett & Coleman is concerned, the total deal size was about Rs.24 Crores. Mayuresh, can you just take it?

Mayuresh Kore: The total deal size with Bennett & Coleman is Rs.24 Crores of which Rs.12 Crores were equity shares issued at preferential basis at Rs.95 per share and Rs.12 Crores were convertible warrants, which are convertible during the 17th month from the date of issue. So the entire transaction has been consummated and warrants and shares have been duly allotted to BCCL. Over the period of the next four years, we will be using this inventory of advertisement in print and non-print media from BCCL. This is expected to save us annual cash outflows of Rs.6 Crores to Rs.7 Crores on our advertisement and marketing expenses.

Darshan Manik: Okay. So there are no major plans to reduce the debt in the coming months, so Q2 and Q3 would not get affected. This only Rs.24 Crores has been funded from a deal, so that would not be reducing…?

Mayuresh Kore: There is no correlation with the debt reduction with this BCCL. It is purely to leverage upon…

Kapil Bagla: It is an operating transaction. It will reduce the operating cost in terms of cash flow.

Moderator: Sure. We move on to the next question from the line of Prachi Dave an Individual Investor.

Prachi Dave: Good afternoon. I wanted to know that you told me that there would be some additional 71 rooms, which may start construction. Can you throw some light when it will be done and when the construction will start?

Kapil Bagla: Madam as I pointed out, we have 171 rooms, which we are adding. The construction for that is completed. We are now awaiting operating permission. Operating permissions typically post the construction takes about six to eight months. I think we are hopeful that we should complete that process before this quarter, which is Q2 and should have the rooms operational in Q3. So in effect, we will have 287 rooms.

Prachi Dave: Okay. Thanks. That is it from my side.

Moderator: Thank you. Well that was the last question. I now hand the conference over to Mr. Kapil Bagla for his closing comments.

Kapil Bagla: Thank you everybody. I think as we have pointed out that FY2018 is both challenging as well as a year of opportunity. We will try to make most of the opportunities that come our way both in terms of marketing and in terms of improving footfalls and business. There are challenges in terms of cash flows and debt, which we are working on as you have seen all around efforts are going on. We hope that our plans for the balance sheet, which is monetisation of surplus land, debt reorganization, and reschedulement all these things will happen in the coming quarters of this financial year and we will keep you posted. Thank you for showing interest in that Adlabs Entertainment and we will meet after three months with the Q2 results.

Moderator: Thank you. Ladies and gentlemen, on behalf of Adlabs Entertainment Limited we conclude today's conference. Thank you for joining us. You may now disconnect your lines.

imagica

theme park • water park • snow park • hotel

ADLABS Entertainment Limited

Cordially invites you to

Conference Call

To discuss the financial and operational performance for

Q4 & Full Year 2016-17

Day/Date**: Friday, May 26, 2017**

Time**: 4:00 pm, IST**

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	Singapore: 800 101 2045
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Participants:

Mr. Kapil Bagla, Director & CEO

Mr. Mayuresh Kore, CFO

We look forward to your participation

RSVP

Jigar Kavaiya, Strategic Growth Advisors Pvt. Ltd.,

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"Adlabs Entertainment Limited Q3 FY 2017 Earnings Conference Call"

February 06, 2017

MANAGEMENT: **MR. KAPIL BAGLA -- DIRECTOR AND CHIEF EXECUTIVE OFFICER, ADLABS ENTERTAINMENT LIMITED**
MR. MAYURESH KORE – CHIEF FINANCIAL OFFICER, ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and Gentlemen, Good day and Welcome to Adlabs Entertainment Limited Q3 FY 2017 FY 2017 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performances and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing "*" followed by "0" on your touchtone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Kapil Bagla – Director and CEO for Adlabs Entertainment Limited. Thank you and over to you, sir!

Kapil Bagla: Hi, good afternoon, everybody. We are very pleased to chat with you again and to announce the third quarter results for FY 2016- 17.

The total revenues for Q3 stands at Rs. 60.46 crores versus Rs. 66.21 crores in the corresponding quarter of the previous year, signifying a decrease of 9% on year-on-year basis. The EBITDA for Q3 has actually grown by 21% to Rs. 17.7 crores from Rs. 14.6 crores in the previous corresponding quarter which is a growth of about 32%.

The footfalls of all the parks put together for this quarter stands at 4.33 lakh versus 4.49 lakh in the corresponding quarter last year.

On the nine monthly basis, the revenue for the nine months stands at Rs. 183 crores versus Rs. 181 crores in the corresponding nine month, a growth of about 1% on a year-on-year basis.

Consequently, the EBITDA for the nine FY 2017 stand at Rs. 49 crores versus Rs. 33 crores in the corresponding nine months signifying a growth of 48%.

Like most discretionary business, the quarterly performance needs to be seen amidst the phenomena of demonetization which happened in Q3 FY 2017. So, like other consumer discretionary our business is also affected due to this demonetization.

We personally believe that the footfall impact was about 20% from our anticipated footfall between the period 10th November and 15th of December.

The segments that were largely impacted post demonetization were B2B schools and price conscious segment customers who preferred to come during weekdays.

The Water Park customers who largely consist of youth and college students were also impacted due to cash constraints as they are largely dependent on parents support for their expenses.

The corporate business however grew during the post demonetization period. However, on the last 15 days of December this impact of demonetization, we saw it diminishing on a daily basis. In fact, to an extent that our New Year's Celebration was a super success and we clocked more than double footfalls that we did in the previous year on 31st of December, 2016.

We feel that amidst demonetization our Q3 performance is reasonably robust. Without demonetization, we could have posted better results considering that the consumer segment was significantly dented post the demonetization period.

None the less, we strongly feel that this phenomenon will not have a long-lasting impact on businesses primarily because 60% of our ticket already are happening on a non-cash mode that is either through online or through card and non-cash mode. It is also belief that our business is actually non-discretionary during the holiday season and virtually price non-elastic.

So, all said and done Q3 had a larger holiday season period. Hence, our business was not that impacted because of demonetization.

Our endeavor has always been to maximize footfalls and thereby revenues during the holiday seasons and weekend.

So, with this backdrop, I would like to take you all through the key highlights and development in Q3.

Firstly, we are continuing to see improved ARPU and realization. In this quarter as well we have been able to increase our ARPU for the park business by 24% in comparison to the corresponding quarter in FY 2016.

The Theme Park ARPU is up 24%; and the Water Park ARPU is up 18%. And more particularly the net ARPU of ticketing has gone up by 31% and the non-ticketing ARPU has grown by 9%. So, all round growth in realization per customers has been observed.

The second aspect of performance has been the operational cost rationalization. As we have told earlier that we are making concentrated efforts to optimize the operating cost of our business. The overall targeted cost reduction is around Rs. 40 crores on an annualized basis, there has been an all-round saving in cost of operations whether it is park cost, employee cost and other overheads in Q3.

Consequently the operating fixed cost for the parks in Q3 including marketing has reduced by Rs. 8.3 crores as compared to Q3 FY 2016. More details will follow during the call. This cost reduction is more or less permanent in nature and we feel that this will improve our efficiency and our performance margins.

The third highlight of our business was the performance of Novotel Imagica our hotel. Novotel Imagica continues with its good performance in Q3 despite having an average occupancy over 67%.

The average ARR which is room rate that Novotel could achieve this quarter was the highest ever and it was 7,197 and including food the average ARR was 11,364.

So, while we saw a dip in business immediately post demonetization, the impact was almost nullified in December with the occupancy rising to 89% and ARR improving over 12,000 during the last 10 days of December where the hotel almost ran 100% occupancy.

We saw good demand from corporate and MICE in this quarter and we hosted four destination wedding in this quarter and another four weddings I am told are scheduled in Q4 as well.

As far as the balance rooms of the Novotel is concerned, we have completed the interiors and construction work for the balance 171 rooms and have applied for the operating permissions with the various government departments namely, Fire, Town Planning, MPCB, PWD, and the Collectors Office, getting operating permission is a time-consuming process. However, we are putting our best efforts to get the permissions as soon as possible. And we are extremely confident that the balanced rooms will be operational in Q4 FY 2017.

The highlight of Q3 was the New Year Event which featured a host of celebrations with music, dance, fireworks, and a performance by DJ Akhtar, the celebrity DJ. The park was open till 2 AM in the morning and we achieved footfalls of 12,000 plus on 31st December and 9,500 plus specifically for the New Year Event. This is more than double what we did in the last year. So, we feel that this evening music event similar to New Year’s Eve program could be an additional source of revenue and we are now in the process of exploring tie-ups with various reputed event companies to organize such events at the park. A combination of entertainment with the Theme Park experience is unique and this is a USP of Imagica vis-à-vis any other alternative entertainment option. So, these were some of the highlights of Q3 FY 2017.

The other thing that I wanted to discuss was also on the balance sheet front which is monetization of our surplus land. So, post our MoU with the consortium of developers led by Rustomjee, that is Keystone Developers and Axis Spaces, the team is currently engaging in finalizing the development plan for the proposed township and simultaneously, they are also in the process of short listing consultants for the same. Parallelly, we are in the process of obtaining approvals for the balance surplus land as well including environment clearance for the entire development. In the next few quarters we will be targeting to get all these permissions and clearances. As a result of this arrangement with the developers, we are likely to see a sign-up cash flow that will accrue to our company in FY 2018.

I would also like to give you a sense on the outlook that we are seeing for Q4 for the second-half of this financial year and also some long-term thoughts that we are doing as a business strategy for our company.

First is pricing, as you are aware that in FY 2017 so far we have not experimented with the pricing and have focused on improving our ticket realization. In the previous year, you remember we had created some significant properties like “Happy Tuesday” and “Wat-a-Wednesday” for the price conscious segment of the market. We feel that this is a very large segment of the market and which cannot be completely ignored.

So, in order to facilitate this segment of customers to experience Imagica, we have re-introduced “Happy Tuesday” and “Wat-a-Wednesday” effective January. The special pricing will be now available only for a limited quota on Tuesday and Wednesday so that, we do not trigger a material shift from full paying customers on these days.

We feel that this strategy will create the required buzz and give an opportunity for another segment of the customer to visit Imagica. This is an alternative that will be attempted in other relatively weaker seasons as well.

As elaborated earlier, we feel that our business is non-discretionary in nature during the holiday months and weekends etc. that is largely in our business cycle in Q1 and Q3, while in Q2 and Q4 generally we witness a little low business. Hence, our policy would be to maximize our pricing and realization in Q1 and Q3 and offer value pricing during the low seasons of Q2 and Q4.

Our focus; however, will continue to be EBITDA growth, what we have seen in this year. So, despite some softness on the revenue front and on the footfalls’ front our EBITDAs have grown and our margins have expanded with the improved realization and rationalization of cost and we will pursue this target continuously for this quarter as well as for FY 2018.

On the product front, as we had given you a sense about our additions of new innovations into the park, we are happy to say that we have completed the Beta Testing for India’s first virtual reality roller coaster experience in our Gold Rush ride. This is a technology innovation which will substantially enhance the guest experience by mixing virtual reality on a live roller coaster. International parks like Universal Studio and Six Flags, now Disney have started upgrading roller coaster ride with VR and Imagica is now in the forefront of giving this experience to its customers. We should now be launching this attraction to the public very soon as our engineers are right now giving final touches to the final experience.

So finally, as far as FY 2018 is concerned we would keep on pushing our focus on rationalization our debt including but not limited to reduction of interest rates. So, balance sheet will also be a focus as a strategy for FY 2018 and with the business growing as we are seeing and with our approach on balance sheet as well as other sources of income due to land monetization, etc. I think, we are optimistically looking at the new financial year.

With this, I would like to handover to Mr. Mayuresh Kore – our CFO to discuss the financials of Q3 FY 2017 in detail. Thank you.

Mayuresh Kore: Thanks, Kapil. Good afternoon, everyone. I will now talk about results for Q3 FY 2017 with some details.

Let us first run though the details on footfalls and ARPU. Footfalls achieved for Q3 FY 2017 are 4.33 lakhs versus 4.49 lakhs for Q3 FY 2016, the break-up being as follows:

Theme Park recorded footfalls of 2.25 lakhs; the Water Park 0.9 lakh; and Snow Park 1.18 lakhs. The Theme Park and Water Park revenues stand at Rs. 51.24 crores while the revenue for hotel stand at Rs. 8.18 crores; and Snow Park revenues aggregate Rs. 1.04 crores.

The total revenues for Q3 stand at Rs. 60.46 crores. The revenues for nine months ended December 2016 stand at Rs. 183.32 crores compared to Rs. 180.89 crores for the nine months ended December 2015.

I will talk in detail on the gross realization per visitor. The weighted average ARPU for the Theme Park and Water Park combined in Q3 FY 2017 is Rs. 1,625 versus Rs. 1,316 in last year's Q3, a growth of 24%.

Particularly with the Theme Park ARPU for Q3 FY 2017 is Rs. 1,790 versus Rs. 1,444 in last year, a growth of 24%. Within this, the ticketing ARPU is up by 31% and the non-ticketing ARPU by 9%.

The Water Park ARPU for Q3 FY 2017 is Rs. 1,215 versus Rs. 1,028 in last year's Q3, a growth of 18%. Within this, the ticketing ARPU is up 26% and non-ticketing by 8%.

This increase in ARPU in Q3 FY 2017 vis-à-vis Q3 FY 2016 is primarily because of the following reasons:

- The consistent focus of management to improve pricing.
- The absence of low ARPU products such as "Happy Tuesday" and "Wat-a-Wednesday".
- Also the ticket pricing moving towards plus tax model as we did at start of this financial year.

Coming to EBITDA:

The above pricing endeavors and our cost reduction efforts both directed towards improving our margins and according our EBITDA for Q3 FY 2017 stands at Rs. 17.71 crores versus EBITDA of Rs. 14.63 crores an improvement of 21%.

The corresponding EBITDA for nine months FY 2017 is Rs. 49 crores as compared to Rs. 33 crores in the previous nine months which is a growth of 48%. It would be worthwhile to note while ticket ARPU for Imagica has improved by more than 30%. The ultimate cost to the consumer has increased by 35% to 40% due to the parting of 15% Service Tax and footfalls for the current quarter vis-à-vis the previous quarter have to be evaluated in this light.

Coming to the performance of the hotel:

The hotel is continuing with its strong performance and has thrown a capacity utilization of 63% in Q3 and an impressive ARR of Rs. 11,364. The break-up of ARR being as follows:

The room ARR is Rs. 7,197 while the F&B and other ARR is Rs. 4,197 adding to a total ARR per room is 11,364.

Coming to the cost analysis for Q4 and the highlights being as follows:

The overall operating cost for Q3 including the hotel have declined by an impressive 17% compared to last year's Q3 from Rs. Rs. 51.6 crores to Rs. 42.7 crores.

Herein notably, the fixed operating cost for the Park business have come down by around Rs. 8.3 crores in this quarter, that is around Rs. 2.8 crores per month because of our continued efforts to optimize cost and take the benefits of synergies between various assets.

In this cost related to employee benefits have reduced by an absolute amount of Rs. 1.3 crores which is a result of strategic man power rationalization. The advertising and marketing cost have come down by Rs. 1.8 crores primarily due to efficient utilization of marketing mediums. The quarterly power and fuel cost have also come down by Rs. 0.6 crores a savings of 12% from Rs. 5 crores to Rs. 4.4 crores primarily due to efficient drawal from open access and some green initiatives taken by the company.

In other expense head – there is also sizeable savings in the head of entertainment expenses to the tune of Rs. 1.5 crores. This is primarily because AEL has consciously not incurred fixed cost of events such Navratri, New Year's on our account this year. Thus, due to the persistent initiatives to control cost, we expect similar trend in coming quarters relative to the previous comparative quarters and as clarified previously by the management all such costs savings will be without compromising on safety and service quality at Imagica.

Coming to the interest cost:

The current rate of interest that the company is servicing is 12.5% per annum, accordingly the finance cost for Q3 stands at Rs. 31 crores. Our efforts for introducing the interest cost are ongoing and we are targeting a reduction of rate of interest to around 11% and our efforts with our consortium are on at this juncture. The total debt outstanding as on 31st December, 2016 stands at 998 crores.

With this, we like to now open the floor for the Q&A. Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, we now begin with the Question-and-Answer Session. The first question is from the line of Dimple Kotak from SKS Capital.

Dimple Kotak: Sir, my first question is what is the total incremental cost savings because of all these efforts are taken. So, what would be the quantum?

Kapil Bagla: On an annualized basis, it will be roughly Rs. 35 crores to Rs. 40 crores per annum.

Dimple Kotak: Okay. And sir, is this sustainable or only do we think going ahead when we had good quarters the cost in employees will increase or the ad cost will increase?

Kapil Bagla: No, these are on annualized basis, this is sustainable fixed kind of reduction. We are not saying except for any inflationary increases that will happen but as far as we are concerned the cost by the matter is permanent reduction.

Dimple Kotak: Okay. And sir, as you said that Novotel it has seen the highest ARPU in this quarter. so, sir, is that sustainable or we see some softening going ahead in the quarter?

Kapil Bagla: See, again, this is a bit seasonal. Obviously, December is a peak season so, you see good quarter. So, we have to compare Q-on-Q as long as we are seeing Q-on-Q growth which I see no reason why it should not happen. I think we should sustain our ARR trend.

Dimple Kotak: Okay. And sir, when is your land sale is likely to be?

Kapil Bagla: So, this not a sale that we are achieving, it is a joint development wherein the developers actually exploit the land and one shares the share of revenues which will accrue to us. So, the money comes to us increases and as the development progress.

Dimple Kotak: Okay. So sir, right now in what phase are we? Is it in nascent stage of the stock or anything else?

Kapil Bagla: No. So, we have about 170 acres of land, out of which the first MoU has already happened with 88 acres of land with Rustomjee. So, once you have a partner identified and the partners work on the business plan and all the development plan and all the permission. So, hopefully, in the next six months to eight months we should have the plans ready, with that some time the investment by the partner starts happening into the project, okay from that point onwards we should see some cash flows coming in accruing as our share, which is why I told you that FY 2018 towards the later end of FY 2018 we should see some cash flows coming in from monetization of land.

Dimple Kotak: Okay, sir. And sir, what is the CAPEX for this year and the next?

Kapil Bagla: So, we are not doing any incremental additions in this year. So, there will not be any material CAPEX except for some of the money that we are required to pay for the hotel completion which will be about Rs. 20-25 odd crores, not more than that.

Dimple Kotak: Okay, sir. And sir, any repayment of debt at the end of the quarter?

Kapil Bagla: No, the repayments of the debts is actually starting from July 2018.

Dimple Kotak: Okay. And sir, what will be the quantum?

Kapil Bagla: So, it is a progressive structure with a eight year ballooning structure typically this happens for long-term projects. So, I think I will not have the exact break-up but we can share it separately.

Dimple Kotak: Sir, can you please share the cash amount as on date on your books?

Kapil Bagla: We will have to come back to you on that.

Moderator: Thank you. Next question is from the line of Danish Mistry from Tata Mutual Fund. Please go ahead.

Danish Mistry: Just one clarification before we get into the questions. You mentioned that basically you lost about 20% footfalls because of the whole demonetization event. So, if I were to just plug that into our Theme Park and Water Park footfalls and this multiplied by the ARPU. So, is it fair to say that we loss about Rs. 10 crores revenue?

Kapil Bagla: Yes, in our mind we lost about Rs. 8 crores to Rs. 10 crores of revenue.

Danish Mistry: Okay. Thank you, sir. And that would have all shown down to EBITDA?

Kapil Bagla: Yes, obviously because first-half is fixed in nature.

Danish Mistry: Okay. So, secondly, in terms of you mentioned that you had a change in pricing strategy and you are working on this "Happy Tuesday" and "Wat-a-Wednesday" again. So, just to confirm over here, you are looking at a situation where Q2, Q4 would be the value period and Q1, Q3 would be the full price periods?

Kapil Bagla: Yes, that is what the general plan for the sales and marketing is. So, as I told you, that what happens in our business is that during season time actually the business becomes very non-discretionary in nature it is better to exploit maximum realization during that period which is why a flexibility of pricing is what is being proposed.

Danish Mistry: Got it. And will these value plans include the Service Tax or exclude it?

Kapil Bagla: No, all our businesses are excluding Service Tax, so it will all be plus Service Tax or GST as and when it comes in.

Danish Mistry: Fair enough. And you also mentioned on about two points, one is that you are looking at an interest rate revision from 12.5% to 11%. So, how confident are we to get it and what are the steps that we are doing to kind of get that benefit?

Kapil Bagla: I think, we are very-very confident as we speak, from our consortium a couple of banks including the lead bank has already approved this change. So, it is just a matter of process that we will have to follow. We are hopeful that by March end this should be a reality.

Danish Mistry: Okay. In terms of how have the footfalls been in January since, you were saying that December onwards it has been kind of recover

Kapil Bagla: I think on a month-on-month basis we are in line with our current year trend. Nothing drastic okay, means there is no dramatic and nothing negative so, as far as the demonetization bit is concerned, I think that effect is probably in the past. So, we have not seen any lag because of that.

Danish Mistry: All right. And in terms of costs you guided, this quarter also you have done about Rs. 8 crores of cost savings which you have done mainly on the fixed cost side. But do you think, you need to actually incur more cost to grow the business at any point of time because I see, you even cut advertising and marketing expenses.

Kapil Bagla: When you say cut, we have to also see it progressively on a year-on-year basis, okay. A couple of first initial two years, three years we have been spending on creating the brand. Once the brand becomes visible the actual absolute spend on marketing and the efficiencies that you can draw with the same amount of dollar spend on marketing is much greater, so we are not cutting down anything. In fact, what you will see during Q1, as we approach the busy season for the next year itself, you will see this seasonal spurts in marketing across. We are a consumer business, marketing will be the main stake of our business expansion and growth.

Danish Mistry: All right. You mentioned that also on the hotel room side that you were hopefully going to operationalize it in Q4.

Kapil Bagla: In Q4, yes.

Danish Mistry: Have you started taking bookings for those or you are looking forward at once only you get the certificate in.

Kapil Bagla: So, soft bookings we have started taking for Q1 actually speaking which is largely large number of groups or weddings, because wedding planners do an advance planning of sorts and we have not gone all out so, to say because sometimes the permissions are I mean just man proposes and god disposes type of situation. So, we are just trying to take it a little easy but as far as I see from the ground, I do not see any hurdle so, it is a procedural issue whatever time it is taking but it should come through in Q4.

Moderator: Thank you. Next question is from the line of Umang Parekh from Manali Trading. Please go ahead.

Umang Parekh: I just had one clarification and two questions. So, regarding the clarification, so the value also will be existing only in Q2 and Q4 or will it be there throughout the year? And regarding the questions, why are we only expanding four rides to five rides over the next two years to three years, is there a possibility of being more aggressive on it, given that we already have a loyal customer base and it is very well known in the catchment area. So, is that something that the company is looking forward to do quite aggressively to add more or will this be the current pace at which we grow?

Kapil Bagla: Okay. So, let us take your first question which is pricing in terms of low seasons and high seasons. As I have clarified that high seasons which is getting as much revenue and as much realization as possible, low season is that we experiment in various promotions. So, if you see and if you go into the detail of how we have introduced this time a “Happy Tuesday” or a “Wat-a-Wednesday” it is a for a limited quota, we only get these many tickets available, it is not open throughout for everybody. So, there is a progressive incremental pricing that keeps on going up as the demand increases. So, it is not a flat pricing so to say. So, we will continue to do these promotional strategies around the year. But more focus would be during the softer quarters and in the busy quarters we would like to maximize realizations. And the second question was about adding rides and adding few things. I think, we are doing a lot in terms of adding new avenues to the park. For example, this year we added the Snow Park which is a large attraction so to say. So, instead of just focusing one ride here and there, we are focusing on adding new stuff. For example, the virtual roller coaster will be a completely new experience, so it actually gives a much larger value addition with a very limited CAPEX, okay. Going forward you will see some more announcements or some very unique concept that we will be bringing in so to say which will provide limited investments from our side because our brand is already created but a reason for customers to come back to Imagica.

Umang Parekh: Okay. So these new rides that come up will be unique and will be on the technological side like something new experience.

Kapil Bagla: More on the experiential and technological side. We will think of doing an addition to our Water Park in FY 2018 we should be adding a few rides but those are not very costly because those are add-ons to our existing rides as well but little expand capacity on that.

Umang Parekh: Okay. And just one final question so, regarding the rationalization of operational cost over this quarter. Just want to know how much further will these costs be reducing because we are constantly working on reducing cost so, how much more can we expect in the coming quarters?

Kapil Bagla: I think, our first plan was to have an annualized number of about Rs. 35 crores, Rs. 40 crores per annum. So, we started this exercise in Q2 so, that is two quarters. So probably in the next two quarters you will see this happening at least.

Umang Parekh: Okay. And then after that will we see it on a yearly basis as well?

Kapil Bagla: It will remain at that level and then probably it will only increase inflationary.

Moderator: Thank you. Next question is from the line of Nidhi B. from Dalal & Broacha. Please go ahead.

Kunal: Hi, sir, Kunal here. Just had one question. Sir, if you could let you know what is your CAPEX in terms of the JV which you are forming with Rustomjee and at the moment we stand at about Rs. 1,000 crores debt. So, is there any addition which is going to happen in case of debt part? And you mentioned that we have the payments which are going to get due so, if you could just give a brief on the same?

Kapil Bagla: So, as far as the JV with Rustomjee is concerned, there is no CAPEX from our side which is why it is a joint development. So, we contribute the land to the joint development and they contribute the development expenses and CAPEX and which is why we share revenues. No, incremental CAPEX to that extent. As far as the debt of the company is concerned as of now, we feel that the debt is stable and except for some of the existing CAPEX which has already been incurred which is on the hotel and on some of the little bit of expansion that we are doing, I do not see a material addition to this debt in this next financial year. The payments are actually schedule from FY 2019 onwards so, by that time I think with the growth that we are expecting in FY 2018 we should be sufficiently on track and with the new extra cash flows getting in during that time because of land monetization, I think we are reasonably buffered to take care of our cash flows.

Kunal: Okay. So, from here on what are the maximum limit of debt you are seeing for your normal expansion and the regular CAPEX or the maintenance CAPEX?

Kapil Bagla: See, maintenance is not a CAPEX it is a revenue item for us, okay? It is written off in the P&L basically. As far as the businesses are concerned it is a little bit dynamic, but if you want to ask a number, at least we are not envisaging anything more than Rs. 40 crores, Rs. 50 crore coming in at the maximum side.

Kunal: Okay, fine, sir. And just one final question, any plans on reducing the pledge shares which we have on the promoter side?

Kapil Bagla: See, for a project like this for various reasons and it is a long-term gestation project, there is a strategy pledge of shares that are required for various lenders and investors so, I mean progressively as and when our liability of debt goes out, these pledge shares can be considered to reduce that is the way it happens in most of the large CAPEX projects.

Kunal: So, but any plan or strategy in place for the next one year, two-year period any thought process on the same?

Kapil Bagla: See, unless you do a dilution, okay and kind of reduce your debt typically, or expand equity, the pledge of share is a process which is **statutory** in nature. So, I mean we have never thought in that line, we are saying that the promoters have invested into this business whether the shares are with them or pledged with the lenders how does it matter?

Kunal: So, but is there any thought process of dilution?

Kapil Bagla: No, as of now none.

Moderator: Thank you. Next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: You said that you are expecting debt interest rate reduction of 1.5% from March onwards. So, entire portfolio will get restructured or what is the amount we can expect to get re-priced?

Mayuresh Kore: Basically we are in line with the trend in the drop of MCLR and base rates across all banks over the last four-five months, that we have seen. The company is going to enjoy this benefit from the base rate changes and also the consortium already has in principle agreed for spread reduction. The combine of this effect, will get the ROIs reduction to 11% odd levels and this is what we are reasonably confident of getting in the next couple of months, Some of our lenders have already approved last week, I am sure we should further it with the remaining lenders.

Kapil Bagla: And this will be on the entire debt, it is not on specific.

Vipul Shah: Okay. So, entire portfolio will get re-priced?

Kapil Bagla: Entire portfolio will get re-priced.

Vipul Shah: And sir, can you share more specific details of your JV with Rustomjee means what is your share, what are the development plans, if you can share some few details?

Kapil Bagla: See, while the MoU with the Rustomjee has been signed, the business plan has been worked out by them. So, in terms of what are the effective revenue plan over the next five years, seven, years and what could be our exact cash flows I think, as we are making the development plan of the area and the business plan, more numbers will get crystallized, but as far as the percentage of revenue share is concerned, it should be anywhere in the range of about 18% to 20% of the gross revenue that one would get from this deal in the whole development plan.

Vipul Shah: 18% to 20% of gross revenue and you are offering 170 acres of land to them.

Kapil Bagla: 170 acres is surplus. For the first phase the JV is for 88 acres with them.

Vipul Shah: Okay. And sir, one clarification, the second phase of Novotel is likely to be operational by when? I missed that point.

Kapil Bagla: Now, the permission period is going on, the build and construction everything is complete. So, I think we are hopeful to get this permission and should be operational in Q4.

Vipul Shah: Q4, okay. So, before March you expect it to…

Kapil Bagla: Before March, before the season hopefully.

Vipul Shah: And sir, where do you see percentage of this, in your entire revenue mix what should be the ticketing revenue and non-ticketing revenues four years down the line?

Kapil Bagla: Our hope is that, the current trend which is about 28% to 30% non-ticketing versus ticketing. We are hopeful that we should reach into the region of 35%, 38% in the next three-four years. We are talking three to four years perspective or even 40%.

Moderator: Thank you. Next question is from the line of Uday Shah from Saif Partners. Please go ahead.

Uday Shah: Are we looking to add-on other Theme Parks in other locations?

Kapil Bagla: See, as far as the broader business plan of the company is concerned, we are looking at geographical expansion. So, we are looking at, North India is one of our option and South India is one of the options. The northern territory is in the region of Delhi and NCR and the southern is probably either Bangalore or Hyderabad that is what is there. But as far as our priority is concerned, we are more keen to look towards North India which is Delhi and NCR which is where our discussions and potential development what we can do is going on. So, yes, as we see holistically we are looking at expansions geographically but till the North India around Delhi and NCR.

Uday Shah: Can we see anything coming up in next three years?

Kapil Bagla: Three years definitely.

Moderator: Thank you. Next question is from the line of Swati Biyani from Resurgence Stock Broking. Please go ahead.

Swati Biyani: My question is answered, it was on the update on the exploring the Theme Parks in North India and Hyderabad.

Kapil Bagla: Thank you.

Swati Biyani: Right now there is no updates regarding any such development, right?

Kapil Bagla: Yes, I can only tell you that we are looking at North India first then South India.

Moderator: Next question is from the line of Vimal Sampat, who is an Individual Investor. Please go ahead.

Vimal Sampat: On the coming Theme Parks, so will we be investing money because in your presentation you have said exploring option in Delhi and NCR and exploring Theme Park project through a JV model.

Kapil Bagla: Yes, so it will be through a JV model wherein we are trying to be as CAPEX light as possible including partnership for land, including partnership for sharing our IP and franchise. So, there are multiple options being employed when we will unveil the plan you will see a very light CAPEX model for our expansion in Delhi.

Vimal Sampat: Right. And second question is on the merchandizing. Now there is a big potential for milking this, I feel we can do much more on this. What are our plans for this sir?

Kapil Bagla: Definitely. See, one good thing is there, the way that we have structured our business is that the IP all our themes, all our characters are owned by us that means we are not licensing anything from anybody which goes out at a lot of cost.

Vimal Sampat: Loyalty commission or something.

Kapil Bagla: Yes, so we are not paying anything actually speaking. As and when our characters are becoming popular, we are intending to license our characters out to people. So, the expansion in merchandizing business will be in two-folds. One of course will be in the park itself adding new lines, new products to our portfolio and the second is an offline expansion which is off park expansion that is either through online sales through our website and other partner website in fact you will be pleased to know that Imagica merchandizing are available on other websites like Flipkart, Amazon, Myntra, Jabong, so we are going online for merchandizing out of park basically. At some point in time to create some experiential zone in some of the city centers as a marketing and as a tool for attracting customers including our merchandizing product portfolio in future years.

Vimal Sampat: Okay, sir. And one more thing, see, as a ball park, a park which is similar to us, international park of course, we cannot talk about Disney per se but as that, what is the revenue for merchandize, what is the share compared to ticketing?

Kapil Bagla: I am just saying, very mature park, okay and you yourself said exclude Disney. Disney obviously because of its legacy of characters and all these things they do about 35% to 40% of their revenues which are from merchandizing, they do about 20%, 25% which is food and they do ticketing only 40%, 45% that is the kind of break-up. In our case the contribution from merchandizing and retail is about 10%, 11% right now to our revenues which to start with I think it is a very-very decent contribution. If we are able to build this to about 15% on our way towards non-ticketing revenue of 35%, 40% in the next two years to three years, I think it will be a good achievement and I see no reason with the amount of products that we have and the way we are doing merchandizing in the past we should not get there.

Moderator: Thank you. Next question is a follow-up question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: What is the discount you offer to wholesale booking like college booking as compared to walk-in customers?

Kapil Bagla: There are different structures for different segment of the customers. For example, the college booking is normally in terms of bulk because they are price conscious in nature and they largely happen on weekdays and roughly discount rate is around 30%. Similarly, the group's discount is based on the size of the group, what are the value additions that you are doing in terms of food and other combination. So, effective discounting was in the region of 15% to 20% or in overall basis.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for any closing comments. Over to you.

Kapil Bagla: Thank you very much. I think, as I had pointed out earlier, in terms of our business growth and our strategy for 2018 the management philosophy is to keep on improving our margins, our profitability and efficiency which is point number one. Point number two is that we understand that there is debt situation in our balance sheet, so our efforts are constantly working on the balance sheet side for incremental cash flows which can deleverage the balance sheet of the company and those efforts whether you call it interest rate reduction or in the form of monetization of surplus assets. I think that will be also the focus of 2018. I think, as far as the business of the company is concerned with the brand Imagica now, and the entire product portfolio fully operational you will see our marketing efforts to be targeted not just in the catchment areas. But you will see our efforts of marketing to be targeted in many of the non-catchment areas because we feel that inbound tourism and domestic tourism is the key to success of our businesses. So, I think this will be probably the main theme of year onwards for 2018. Thank you very much for your time.

Mayuresh Kore: Thank you, everybody.

Moderator: Thank you. Ladies and gentlemen, on behalf of Adlabs Entertainment Limited that concludes today's conference call. Thank you for joining us and you may now disconnect your lines now.

"Adlabs Entertainment Limited Q2 FY 2017 Earnings Conference Call"

October 28, 2016

MANAGEMENT: MR. KAPIL BAGLA -- DIRECTOR AND CHIEF EXECUTIVE OFFICER, ADLABS ENTERTAINMENT LIMITED

MR. MAYURESH KORE -- CHIEF FINANCIAL OFFICER, ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and Gentlemen, Good day and Welcome to the Adlabs Entertainment Limited Quarter 2 FY 2017 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Kapil Bagla -- Director and CEO of Adlabs Entertainment Limited. Thank you and over to you, sir.

Kapil Bagla: Good afternoon, everybody. I am pleased to welcome you all on the Second Quarter Earnings Call for FY 2017. Just to give you a short update on the numbers,which you would have already seen, the total revenues for Q2 stand at Rs. 36.09 crores versus Rs. 34.07 crores in the corresponding quarter previous year, signifying a growth of 6% on year-on-year basis. Consequently, the EBITDA for Q2 is standing at Rs. 1.01 crores versus a loss of Rs. 6.03 crores in the corresponding quarter for the last year.

The footfalls of the parks put together for this quarter are 1.98 lakh vis-à-vis 2.48 lakh recorded in the corresponding quarter last year.

Consequently, on a half yearly basis the revenues for the first-half FY 2017 stand at Rs. 122.09 crore versus Rs. 114.07 crore in the corresponding half-year in the previous year registering a growth of 7% on year-on-year basis.

Consequently, the EBITDA for the first-half FY 2017 is at Rs. 31.03 crore versus Rs. 18.04 crore in the corresponding half-year, signifying a growth of 70%.

The footfalls of all the parks put together for H1 stands at 7.13 lakh versus 7.87 lakh in the corresponding quarter last year.

So, just to do some performance analysis, as you all are aware that for us Q3 and Q1 are generally strong quarters which are followed by Q4 and Q2, so quarter two is relatively a soft quarter for us for reasons of seasonality, monsoons, schools and colleagues opening post vacations, etc. However, for this quarter it is important to highlight that the business in Q2 FY 2017 was affected by a sever and long sustained monsoon in the Western India particularly in the Mumbai, Pune and Gujarat region which are our primary markets.

However, despite reduction in the footfalls, we are still able to maintain decent revenue due to improved realization and improved EBITDA margin. Not only did the heavy rainfalls dissuade people to travel on the weekends but also due to massive traffic disruption, that most of us have experienced it ourselves on the bad roads of cities in Mumbai and Pune, it virtually diminished any intend for potential customers to spend on the road in transit.

The point to be noted, however is that despite heavy rainfalls, etc., all our parks in the hotel were fully operational during the season without a single disruption justifying the quality of our rides and attractions, as well as the adaptability of our operations team.

Thankfully the monsoon season is now over and we are already seeing an uptrend in footfalls from October onwards.

The key highlights and developments in Q2, I am just enumerating some of the key points to be considered in Q2. First is obviously the improved ARPU and realization. As I had highlighted in the earnings call, we are continuing our strategy of improving ARPU under all revenue head namely, ticketing, F&B, and retail.

In this quarter particularly, we have been able to increase our overall ARPU by 25% in comparison to the corresponding Q2 last year. The Theme Park ARPU is up by 26%, the Water Park ARPU is up by 24%, and more particularly the net ARPU of ticketing is up by 28%. The non-ticketing ARPU has also grown by 18%. So, we will continue to experiment with increased ARPU strategy for the remaining quarters as well and observe closely the impact on footfalls and revenue. We are hopeful that this new strategy of revenue maximization by realigning the pricing to superior product offering and the positioning of the park will yield a positive revenue outcome in Q3 and Q4.

The other highlight of Q2 is the operation cost rationalizations that we had achieved. In the last earnings call, we had said that we are embarking on an aggressive cost reduction, cost rationalization plan in line with the operations of the company and operations of all the parks and in line with taking into account the economies of scale of our business. We have made concentrated effort to optimize the operating costs of the park. There has been all round saving in operation, cost of operation, whether it is power cost, employee cost and other overheads.

The operating cost for the park only in Q2 inclusive of marketing has reduced by 27% as compared to Q2 FY 16 and the overall cost including hotel is reduced by 13%. On an annualized basis, we are overall targeting park operations cost reduction of about Rs. 30 crores to Rs. 35 crores and you would understand that this cost reduction is permanent in nature.

As you would have seen in our financials; that our focus for this year is profitability and EBITDA growth.

The business of Novotel Imagica continues with good performance in Q2 as well despite the low season with the average occupancy standing at 60% and the average room rental is Rs. 6,800 plus and the overall ARR including food is Rs. 11,360. I think this is a good achievement and the performance of Novotel Imagica continues to encourage us.

During the quarter, we have concentrated on completing the balance 171 room. Further considering the demand from the MICE segment and the social groups, we have added two new banquet rooms with a combined seating capacity of 300 guests to accommodate smaller group enquiries as well. We are now waiting operating permissions for the balance rooms and we are hopeful to launch the balance rooms in near future post permissions and other statutory compliances. Historically, seems that takes about to six to eight weeks' post completion for the permissions to come in for operations, while I cannot comment to a date we are hopeful that we should get these rooms operational as quickly as possible.

The other major development is on the monetization of surplus land. As you would have heard, we are pleased to inform you that our wholly owned subsidiary Walkwater Properties has signed a letter of intent with a consortium of developers lead by Keystone Realty Private Limited i.e. the Rustomjee brand and Axis Spaces Private Limited for developing a mixed use residential township on part of the surplus land near our Theme Park.

Under the LOI, WPPL our subsidiary will provide surplus land of 88 acres to the developer for development, marketing and sales of the residential township. We will not invest anything, any capital investment in the project. The LOI also provide the usage of brand name of Rustomjee for the project. The detailed agreements and other terms and condition of the brand development are under negotiations and can be finalized in due course.

You would have remembered that Walkwater Properties has received a location clearance for Special Township on 88 acres of land out of the 170 acres surplus land. The company is now in the process of obtaining the approvals for the balance surplus land as well.

Just a little background that while we all talk about real estate being a little slow but our belt where Imagica is located the 12 kilometers around Khopoli to Khalapur where Imagica is located has seen substantial real estate development with some large marquee projects being developed by some marquee Real Estate companies.

With the new airport and other infrastructure project being put on fast track by the government it is expected that this region will become an epicenter for new development.

I would also now like to give you some idea for an outlook for H2 of FY 2017. I think there are a lot of new things that we are doing on the product side and on the offering side at Imagica and also the consequent effects from the potential financials and the expectations that one could have out of the second-half of the financial year. First of all, we are extremely pleased to announce that we have completed Beta Testing for India's first virtual reality roller coaster experience in our Gold Rush ride. This is a technology innovation which will substantially enhance the guest experience mixing virtual reality on a live roller coaster. International parks like Universal Studio and Six Flags have started updating the roller coaster ride with a VR experience.

Imagica therefore, is in the forefront and is committing to give its Indian guest the most innovative and contemporary Theme Park experience globally. We are also in the process of adding a 3D VR experience to another of our attraction Salimgarh. Since, the Beta Testing is now complete; we are now getting ready to launch this attraction to the public in this quarter itself.

For Q3 we have expanded our park ticketing options with a variety of new products for different segments of customers. For example, we have introduced Multi Park Combos for the same-day as well as multi day visitation. We are shortly introducing an Imagica by night option on the weekend for the guest who wants to enjoy some ride and F&B at Imagica and enjoy lovely ambiance that we provide in every evening to our customers.

For kids, we have introduced concepts like Big Big Birthday Picnic at Imagica where kids can have a birthday picnic with their friends. We have added Tubby Secret Party a fairy tale F&B and entertainment buffet at the park, The Grand Imagica Parade has been enhanced with additional Theme Park characters. So, there is so much happening for enjoyment for us customers at the park.

The Imagica retail stores have been expanded by increasing additional 2,000 square feet and new merchandizing lines and two new exit stores. So, our growth of non-ticketing revenues we are talking care of offering much more options to the customers.

Our focus in FY 2017 will continue to EBITDA growth and margin expansion with the improved realization and rationalized cost and we are pursuing this growth of EBITDA target quite aggressively.

I personally feel that H2 FY 2017 should be better than normal H2 in the previous year. We fell that there is a pent-up demand for Imagica from customers who are unable to enjoy the park experience in Q2 due to monsoon. We also feel that there is a positive consumption cycle in H2, expected due to general growth in economy fueled by good monsoons. So, I am optimistically looking forward to the balance part of the financial year in terms of operating businesses.

With this, I would like to handover to Mr. Mayuresh Kore, our new Chief Financial Officer to discuss our financials of Q2 and FY 2017 in detail. Mayuresh Kore was earlier our Vice

President (Finance) has now been promoted as the Chief Financial Officer of the Company. I would like to wish him all the best and request him to take it forward.

Mayuresh Kore: Thanks, Kapil and good evening, everybody. I will now talk about the financial highlights for Q2 FY 2017.

Firstly, talking about the details on footfalls and ARPU. The footfalls achieved for Q2 FY 2017 is 1.98 lakhs vis-à-vis 2.48 lakhs for Q2 FY 2016. The breakup being as follows: Theme Park 1.02 lakhs; Water Park 0.71 lakh and Snow Park 0.24 lakhs. The Theme Park and Water Park revenues combined stand at Rs. 29.36 crores; for the hotel, it is Rs. 7.13 crores and Snow Park it is 0.42 crores.

In terms of gross realization per visitor, the weighted average ARPU for the Theme Park and Water Park in Q2 is Rs. 1,706 versus Rs. 1,368 in last year's Q2 that is a growth of 25% over the previous quarter. The Theme Park ARPU parse for Q2 FY 2017 is Rs. 1,910 versus Rs. 1,522 last year Q2 which is a growth of 26%. The ticketing ARPU is up by 27% and the non-ticketing ARPU by 22%. The Water Park ARPU for Q2 FY 2017 is Rs. 1,414 versus Rs. 1,139 in last year's Q2 which is a growth of 24%. In this, the ticketing ARPU is up 32% while non-ticketing by 13%. The increase in ARPU in Q2 vis-à-vis Q2 FY 2016 is primarily because of the reasons that Kapil mentioned which is consistent focus of management to improve pricing, the discontinuation of low ARPU products such as Happy Tuesday and Water Wednesday.

Coming to EBITDA, the exercise that we have done to improve our margins has reflected, accordingly our EBITDA for Q2 FY 2017 is Rs. 1.1 crores versus negative EBITDA of minus Rs. 6.03 crores so, there is an improvement of 116% in the EBITDA.

Coming to the hotel, the hotel property is continuing with its stellar performance and has thrown a capacity utilization of 59% for Q1 and ARR of Rs. 11,000 plus. With the break-up of ARR being as follows: for room the ARR is Rs. 6,800 and for the F&B and others it is Rs. 4,560. Thus, a total ARR per room is 11,360.

Coming to the cost analysis, the cost related highlights for this quarter are as follows: the overall Q2 costs (which include the hotel as compared to financial year) have remained flat. However, as related to the fixed operating cost for the park business, it has come down by Rs. 5 crores in the quarter, it is around Rs. 1.07 crores per month; this is primarily because of our conscious efforts to optimize costs and also to take benefits of synergies between the various assets. The repair and maintenance cost has reduced by an absolute amount of Rs. 1.02 crores, this being largely due to some indigenization of sourcing of consumables. We have also been able to reduce power and fuel cost by 27% which has been achieved by entering into open access, power purchase agreement which is now permissible as law and we are able to reduce per unit cost substantially.

Due to our consistent initiative to control cost, we expect cost to soften further in coming quarters. All this cost savings will however be without any comprise on safety and service quality at Imagica.

Coming to the interest cost. The current rate that we are paying is. 12.05% per annum; accordingly the finance cost for Q1 is Rs. 29.08 crores. There is an increase compared to last year primarily due to the hotel asset being operational vis-à-vis last quarter. Our efforts for reducing the interest cost are ongoing. Even a 100-basis point's reduction would translate into a Rs. 12 crores annualized savings and we are working full speed towards this object. The debt outstanding as on 30th September, 2016 is Rs. 994 crores.

That is it from my side. We now throw, open the floor open for the Question-and-Answers.

Moderator: Sure, thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Mr. Rohit Potineni from Parag Parikh Mutual Fund. Please go ahead.

Rohit Potineni: My first question was that I am trying to understand that there is a broad cost reduction strategy that is happening on one side and on the other side there is a lot of exciting new additions happening in the park as was mentioned by Kapil sir. I was trying to tie both of this up. How do we expand our offerings and at the same time reduce the employee cost. This is because I assume that you would be requiring additional employees as well as power, etc., for whatever additions we have. So, if you could help me there?

Kapil Bagla: Okay. I think the way that we are adding new things are not actually cost additions in terms of operations; for example, the concept about the new virtual reality ride is actually a technology innovation on the existing coaster itself. So, there will not be any major CAPEX that are required and there will not be any major operational CAPEX required. It is VR gear which actually operating while it does not cost anything and I do not think there will be any cost additions. We are very conscious that whatever additions that we are doing are basically to improve the existing experience without additional cost.

Rohit Potineni: The next question that I have is there a target margin that the company would like to achieve in let us say two years to three years' timeframe and if you could help me understand what that would be?

Kapil Bagla: See for H1 FY 2017 EBITDA margins stand at about 25%, and at least the next one year target or by FY 2018 we would at least targeting a margin about 35%, that would be our initial target but like in two years or three years' time we are hopeful to actually have our EBITDA margins in the region of 45% to 50%.

Rohit Potineni: Okay, understood. So, Imagica is a huge hit in Mumbai, I mean I and my friends have gone there. So, what I was trying to understand is what about going forward? What is the plan to replicate this may be in other locations, is there anything in the pipeline?

Kapil Bagla: As an overarching plan for the Company, we have ambitions to expand in other locations and we have gone on record saying that we are looking to do something in North India and something in South India. While we are open and looking at options at everywhere, I would feel that we will first go North of India then in South of India. However, I think expansion is something that we will probably be focusing in FY 2018 and not in the current year. Current year is a kind of year where we are getting Imagica to its optimum operational level and then improving the financials.

Rohit Potineni: So, just a follow-up there, so FY 2018 you would be thinking of construction then and may be 2019, 2020 I when you would expect a new park to open, am I right?

Kapil Bagla: I think FY 2018 would be the year where we will actually finalize the structure as it does not happen so fast. Parks like these take about three years from at least thinking and doing, obviously we will use all our resources internally and our learnings from the current park. But yes, if something gets finalized in FY 2018, we should be opening the park in the next 18 months to 24 months.

Moderator: Thank you. We have the next question from the line of Sagar Khasnis from Nirmal Bang Securities. Please go ahead.

Sagar Khasnis: Sir, I wanted to ask on our real estate LOI which we have signed, what is the development potential of these 88 acres in terms of FSI that we get there?

Kapil Bagla: Yeah, so, because of the Special Township the FSI permissible is about 0.7 against the normal FSI of 0.25.

Sagar Khasnis: Right. So, by when would we expect this project to start?

Kapil Bagla: No, I do not think so, what happens is that there is a process involved of construction permissions and other stuff which the developers are going to take care once we finalize our arrangement with them. As I see we will probably see development in about 18 months to 24 months actually, which is ground breaking in development.

Sagar Khasnis: Right. So, we are talking about 2.7 million square feet of development potential ?

Kapil Bagla: Yes, for this year, yeah.

Sagar Khasnis: Yeah, for this 88 acres. So, what will be our share and how will the cash flows works for us?

Kapil Bagla: See, the exact commercial terms are being negotiated, I am not able to disclose that at this point in time, but it is revenue share that happens on this thing, we are not taking any of the cost of the project and typically the way it happens is that you have some element of upfront security deposit or earnest money which get adjusted as and when the sales happen for these projects, these projects are five years to six years projects typically in terms of start to end so, we will see periodic cash flows coming to the company as the development progress.

Sagar Khasnis: Okay, on the Imagica since a lot of people I know they like the project very much but many of them say that it is good for one-time visit. So, what efforts we are taking to get repeat customers on our property?

Kapil Bagla: Okay. So, there are different opinions like that just to give you some statistic, we have almost 17%-18% of our visitors have come to Imagica more than once, okay and about 4% to 5% comes more than two times in a year so, that is the kind of repetition. However, what happens is that because the market is so huge now that we are also concentrating on getting new customers, we have not yet exploited the entire market potential. However, we need to cater to our existing customers as well. So, we are introducing two products which I think in this quarter probably we will finalize. One of which is the Imagica Annual Super Saver Pass which entitles you for four visits in a year for a price. We are also introducing an Imagica Membership which is like a two year Membership where you can come to the park unlimited times, if you want to.

Moderator: Thank you. The next question is from the line of Prasad Padala from Investec Capital. Please go ahead.

Prasad Padala: Actually, I joined the call a little late so; excuse me if this is a repeat question. Can you please provide update on the status of the completion of the hotel specifically with the second phase of the rooms?

Kapil Bagla: Yeah, so the physical status that the 170 rooms are almost complete, some final stages interiors are going on. So, I think we should be able to complete physically the hotel in next three weeks to four weeks' time completely. After that the process of inspection compliances and operating permissions happen. So, we are hopeful and typically as I told you that it takes about six weeks to eight weeks from the competition to get OCs and you know operating permission subsequently so, I think we are hopeful, if not end of this quarter but early part of the next quarter we should make these balance rooms operational.

Prasad Padala: Regarding the fall in footfalls, I mean considering the base is low, what is the reason, is it mainly monsoon?

Kapil Bagla: This is largely monsoon, this time it was unexpected totally, I mean we were never anticipating this drop actually speaking and while I do not blame the customers as I myself staying in

Mumbai see the conditions of the road and the traffic internally, I am actually in hindsight quite encouraged that at least we are able to achieve this much.

Prasad Padala: Okay, sir and just regarding your A&P spends, so, has there been any change in the marketing strategy like any change in the mix between your print or outdoor?

Kapil Bagla: Not really I think what we have done is that there is a change on timing of advertisement that happens. We have realized that for example, Q2 we know that it is a weak quarter. Now, however, hard I try and whatever I need to do to drag people out and how much ever advertising I do people will not come out so, it is basically a waste of expenditure. We realize it last year we spend money on advertising but people did not turn out to an extent that we anticipated them to do. So, our strategy is to bucket this into seasons where the throughput would be maximized and which is why we are smartly doing this thing. Obviously, what over a period of time as digital advertising is become prominent and much more cost effective, we are substantially depending on digital marketing, social media marketing for our customers being a consumer company.

Prasad Padala: Okay. So, are you saying that you will advertise more in your peak seasons?

Kapil Bagla: Yeah, I mean it will be relatively more.

Prasad Padala: Okay. Sir, do we think with the existing level, is it enough to generate enough excitement in the consumers?

Kapil Bagla: I mean see we have just started and I mean you would have seen our hoardings for the season in October; you have heard our advertisements on radio. We are very aggressive on all the digital media, we are not using print because we feel that print ROI does not serve the purpose, but you might probably see us on television if required in December.

Prasad Padala: Okay. I mean so, even in regions like Gujarat depending mostly on?

Kapil Bagla: Radio is our strategy for local, Gujarat of course is our primary market so, we also do outdoor over there but let us say other centers which we have inbound which we are wanting to do non-catchment, we are depending on radio, radio is quite an effective medium.

Moderator: Thank you. We have the next question from the line of Danesh Mistry from Tata Mutual Fund. Please go ahead.

Danesh Mistry: I have two questions Kapil. One is that so, whilst we are attributing the Q2 drop in footfalls with regards to the inclement weather and the bad route conditions and all that. But would you qualitative say that now at least quarter wise what the impact on the footfalls because of elasticity as we discontinued WAT A Wednesday and Happy Tuesday is now more or less out?

Kapil Bagla: Yeah, I know but see what happens today that we try to analyze saying that effectively, our paying customers have that being effected or no, let us say like we analyze that we probably had a 20% - 25% jump up because of the Happy Tuesday and the discounted products and if I kind of normalize that number and if I am able to achieve the similar footfall in a normalized number along a 25% growth in ARPU, I am better off than I was with them. So, I think we are trying to work around we also had a situation in the Happy Tuesday sometime where footfalls were growing beyond, what we call it as a comfort level for guest to experience the entire park, it is better to give them a better experience than a premium product then giving suboptimal experience and try to maximize footfalls. I think we are trying to play that strategy. What we have done is that rather than doing a lump sum discount, we are trying to work around combination, so trying to expand, so for example a three-day pass that we have introduced is basically where more single point revenue together. But obviously it will be a discount in the sum of park basically but at least you will have a customer who will be happy.

Danesh Mistry: Understood. So, going back by your point where you said that if you stripped out the Happy Tuesday and Water Wednesday customers, then would you say that you are in line with what the paying customers would be?

Kapil Bagla: I am not happy with what I did in Q2 honestly. I was okay in Q1 which is why I am saying that i think the rains had a tremendous overhang in fact, we did a study in our past the quantum of rains in terms of the measurement that we have was 5x what we actually received in the previous quarter last year so, that is the kind of intensity that rainfall happens.

Danesh Mistry: All right. And how has October been?

Kapil Bagla: I think start has been pretty good, we are now getting ready for the busy season starting tomorrow, the footfalls starts to grow the next day from Diwali that is where exactly the time comes in. I think the advance booking is basically robust.

Mayuresh Kore: Yeah, that is.

Kapil Bagla: Yeah.

Danesh Mistry: All right. And just one more thing, we have always talked about having these agents who would kind of look to bring in customers from other regions may be Gujarat or some other locations. So, how has that growth been in those agents in our agent mix or in our agent population ?

Kapil Bagla: See, I think we have tapped majority of the agents and the network is there but an agent file is like an ABC analysis, you will have the A category probably doing 60% of your number, and then you have the B category and C category, you have to keep them churning them, pushing them. However, what we have done in this quarter and that probably the results we play is that we have actually done a lot of alliances with time. For example, we have tied up with Jet Privilege which is for redemptions of Jet Privilege Cards, we have tied up with Vistara, we have tied up SpiceJet for the loyalty programs and stuff like that, we are slowly tying up a Quick Silver for some of the loyalty programs and gift cards. We will shortly be launching a specialized scheme with Paytm. So, these are multiple channels apart from the conventional routes that we are taking to expand our reach. I am very encouraged with the response that we got from Jet Privilege redemption actually in the last 15 days. So, we will be using channels but not only conventional travel agents but like for example, we are on Yatra as a package, we are on Easy Go one, we are on three or four large online travel platforms like Thomas Cook. We want to position it as Disney packages or Universal International packages that come in. Those are the channel things that we are trying to do.

Danesh Mistry: Understood, sir. And these loyalty programs that is Jet Privilege and all, so you get the money from Jet in how many days like in 15 days, 30 days or?

Kapil Bagla: No, it is basically a point redemption program and effectively the money comes in on a 30 days' cycle. It is a like a travel agent effectively where you pay them a redemption fee what you call discount of about 10%-12% which is equivalent to the commission that you pay to the agent and at least you get redemptions.

Mayuresh Kore: We have already got close to 1,500 plus redemption in the short time frame so, we look forward to that significantly.

Kapil Bagla: On about 15 days - 20 days.

Moderator: Thank you. Next we have a follow-up next question from the line of Rohit Potineni from Parag Parikh Mutual Fund. Please go ahead.

Rohit Potineni: So, I was just wondering about the maintenance at our parks, is it done in-house or do we outsource it to the manufactures of the rides, how do we do it?

Kapil Bagla: See, on ground maintenance team is all in-house However, when we do what you call as an annual maintenance or annually we have do a rehab of all our large attraction and coasters, that rehab is done under supervision of the suppliers. The second is that for any trouble shooting we have VPN connection with most of our suppliers as most of the suppliers are based out of Europe and America so, in the evening post the shutdown of the park any trouble shooting can happen online as well. But the physical team is obviously in house team.

Rohit Potineni: Okay, understood. Just another question, as the only competition that the company has in India is Wonderla and if you could just share your thoughts as to how the management sees them given their high margins, debt free and that they are planning to aggressively scale across the country.

Kapil Bagla: See, I think I feel that as far as outdoor entertainment is concerned, India as a whole is a very underserved market and there is room for everybody to be there. There are different categories of parks around the world, so you have what is called as National Park and you have what is called as Regional Park. I think we kind of position ourselves more as a National Park which has a potential to attract customers from all over the country while not say anything about my competition. Wonderla is a Regional Park and did very well for them. As far as margins are concerned, we should appreciate Wonderla parks are 10 years old and we are talking about 10 years of history of financials. We are in the third year of our operation so, hopefully we will probably get faster there in terms of margins if our growth continues to be that we are doing.

Rohit Potineni: Okay, sir, understood. And coming back to the real estate again, sir, so we do not need to incur any CAPEX for it?

Kapil Bagla: Absolutely not.

Rohit Potineni: So, we just have provided the land and as and when the development in sale happens we get cash flows coming in, that is how it works?

Kapil Bagla: Yes.

Rohit Potineni: So, the focus in near-term to medium-term for the company would be to improve the margins and reduce the debt?

Kapil Bagla: Yes, that is what we are focusing on, as we have to do our own operations and we are not real estate developers. We have surplus land and it is a very good asset in the company, it is a very profitable asset and over a period of time it is also a natural hedge to the debt that is there in the company.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to the management for any closing comments.

Kapil Bagla: Yes, I think for all the investors who are invested and all those who are potentially considering investment into Adlabs, I would only want to say that this is a project that we have brought in to the country for the first time. We do not have any templates of how the project and business of these parks unfold. We only can say references on what has happened across the world internationally. Potentially, over a medium-term to long-term basis good assets have always performed well and gave reasonable ROIs to their investments. I am quite hopeful that as long as we are able to maintain the quality of our product and quality of experience that we are giving to guest which so far we are able to provide, I see a bright future in Imagica as well as the potential of outdoor entertainment in this country. You will have a lot of stuff coming in and a lot of news coming in for Imagica so, to say in terms of what we are doing around. Thank you very much for being with us and Mayuresh.

Mayuresh Kore: Thank you all and Wish All Participants a Happy Diwali and we like to conclude the call at this juncture. Thank you.

Moderator: Sure, thank you very much. With this we conclude the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.