



“Adlabs Entertainment Limited Q2 FY16 Earnings Conference Call”

November 03, 2015



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY16 Earnings Conference Call of Adlabs Entertainment Limited. This conference call may contain forward looking statements about the company which are based on the belief, 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 for 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, Adlabs Entertainment Limited. Over to you sir

Kapil Bagla: Hi, good afternoon morning welcome to the third conference call on post listing of our company and we would like to enumerate our results Q2 our performance in H1 and also some of the key highlights of the first six months of operations as well as how we are seeing the future of the company and the business going particularly in this year. So just to tell you about the Q2 results the footfall of both the parts which is Imagica and Aquamagica put together in this quarter stand at 2.48 lakhs vis-à-vis 2.16 lakh in the previous corresponding quarter that is the growth of 15% on a year-on-year basis.

The revenue for Q2 stands at 37.2 crores vis-à-vis 35.7 crores in the corresponding quarter in the previous year signifying a growth of 4% on year-on-year basis. The EBITDA for Q2 is a negative of 6.2 crores versus positive EBITDA of 3.5 crores in the corresponding quarter last year. On a half yearly basis the revenues for the first-half of FY16 stands at 122 crores versus 72 crores in the corresponding H1 signifying a growth of 70%. Similarly the footfall stands at 7.9 lakhs which is up almost 100% from the previous half year on a year-on-year basis. Consequently the EBITDA for first-half of FY16 stands at 18.5 crores versus 3.3 crores in the corresponding half last year. As you all are aware that for us Q3 and Q1 are strong quarters followed by Q4 and then Q2. Quarter two is relatively a soft quarter for us for various reasons like seasonality monsoon, college opening, post vacations, et cetera, et cetera. However on a H1 basis we have achieved a footfall of 7.9 lakh in the first-half and historically we have seen that we do about 60% to 62% of our footfalls in the second-half of the year. So I feel for the second-half which is Q3 and Q4 there should be better quarters for us.

One point that I wanted to highlight as far as Q2 is concerned we were actually particularly hit and majorly effected by two factors. One was the disruption and closure of the Mumbai-Pune Expressway due to landslide which actually happened quite frequently on entire August you must have seen all the press and paper coverage’s of this landslide happening the adverse new headlines of traffic jam long queue diversions closures of the express way created a significant deterrent to for per potential guest to visit our park and this particular disruption was



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absolutely unplanned and affected the visitations from our primary market which is Bombay and Pune.

We are in entertainment business so any disruption like this which is unplanned actually people try to postpone their decision making for travel. So I think this was one of the factor that immensely effected because while we have shown a growth of 15% in footfalls it was not to the level of our target that we had set for our sales internally.

Another factor which is again extraneous but our team understands how it is effected is the since the Hardik Patel agitation that went all across Gujarat in most of September. Now that is a factor that one would not realize but that affected actually movement of customers Gujarat becoming a very important market for us it is kind affected footfalls coming from that section to us due to bandhs in cities like Ahmedabad, Surat, Baroda and significant market which are our significant market contributor. In fact some of the schools have advisories of non-travel during that period. Anyway thankfully all those issues are resolved now and we are consequently witnessing an upward trend of footfalls post 15th of September onwards.

Let me now just take you to the key highlights and development of Q2. First the highlight of Q2 was the launch of our Hotel in Imagica Novotel Imagica on 16th of September with 116 rooms. We are pleased to inform that hotel has got off to a great start with average occupancy of 67% in the first 16 days signifying a huge pent up demand for this product. We see a healthy mix of corporates and leisure customers to our property and the feedback of the customers who have stayed in Novotel has been very encouraging. We have blended an Imagica experience as the hotel with concepts like the iconic Imagica dance and the breakfast with characters at Novotel, giving our guest a novel experience to remember.

We are now working to commission the balance 170 rooms which should happen by Q4 of FY16. The other development I want to share is that the work on the Snow Park is progressing in full swing and we expect to complete the attraction probably by end January and launch it by February, 2016. We have also finalized the master plan for the Adventure Park spread over nine acres with a revenue share arrangement with a French company Extreme Adventures and we will make this product offering very-very comprehensive and very compelling.

We expect to start the work on the park in this month which is November and complete the same by April, 16. Further, considering the demand that we have seen in the Water Park in the busy season, we have also commenced a work in adding our additional large format attraction in the Water Park. This will enable us to increase our capacity of the park on peak days from 5,000 to 6,000 and we hope to kind of complete this attraction by the start of the next busy season of the Water Park which is April, 2016.



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In Q2 FY16, we have also worked extensively to improve customer convenience and transactional capability. We are doing a lot of transactions on an online mode and Indian consumer is now getting preference to buy things online so we launched the Imagica app on Android and iOS platform. Since the launch of this application, our mobile transactions have increased almost from a negligible level to almost about 12% of the overall transaction that are done online for the month of September. We are further working to add more features to our app like queue line management, in-park communication, engagement and promotion. I think that Imagica app will be a great property to further improve our customer experience and convenience of our guest.

On the sales and distribution front, we have established our B2B network in Kolhapur, Nasik, Rajkot, Indore and Hyderabad so I think that means what we have got now channel partners who are basically soliciting business for us and for Imagica from these areas and with the ensuing festival and holiday season, we see a good traction emerging from these new markets that we have added. I will give you an example that we added Rajkot to our list in August and during the Janmashtami holiday which happened in the second week of September from one place which is Rajkot we saw almost 2,000 guest coming. So I think that is a power of activation of local market.

In H2 our aim is to add Jaipur, Raipur and maybe to add Delhi, Raipur and maybe Jaipur to our B2B network. So then we are kind of gearing up to activate the as we say the rest of India market, we have already activated Maharashtra and Gujarat market so to say. So I think this will add to our distribution and sales network. We are further happy to announce you that during the quarter we won an award for being the most promising new destination by OTM which is one of the largest trade and travel and tourism trade exhibition in the country. We further won the Travelers Choice Award 2015 from Trip Advisor. I think with all the development in terms of partitions and new attractions improving customer experience increasing sales and distribution network we have undertaken.

This is all been done keeping in mind with the growth that we are targeting in H2 FY16 and also going forward in FY17. It is to be noted here that FY15 will be the first full year that we will see all the elements of the project to operate in full capacity including the added attraction of Snow Park and the Adventure Park. This was on the business outlook.

One more point that I wanted to point out that was on the service tax outlook this was one pertinent question that came up last time also. On the service tax front we have increased the ticket pricing by 5% that is Rs. 99 for Imagica and Rs.49 for Aquamagica with this increase we have passed on approximately 35% of service tax burden to the customer we would offset closed about 22% to 25% of the burden through our input credit that we have and have absorbed about 40% of the service tax increase in our business.



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On the CAPEX front, during the period we have incurred a CAPEX of about 41 crores this CAPEX consist primarily on the beginning the work of phase two of hotel which is balance 171 rooms. On the ongoing CAPEX for constructing the Aqua skyway this is a Gondola Rope way which connects admission to the Water Park entrance over the Theme Park and see for laying a 13 kilometer water supply pipe line between nearest water source Kalote Mukashi Dam and the Park. The Aqua skyway is under the trial run and has become an added attraction at park with the guest experiencing a bird's eye view of the Theme Park and route to the Water Park. So it is basically a rope way which takes you right from the ticketing to the Water Park over the Theme Park so, it is a very pictures site and guests are very happy using this way of communication though this way of transport.

The water pipe line will act as a backup water supply for the park and the hotel and future development and will add water supply 1.5 million liter per day. The pipeline is rightly to be completed by January 2016. So this is an infrastructure requirement this augmenting additional water resources to our park.

Having said this just to give you some sense of how what we see as an outlook for the H2 of the year. As you can see that we have already achieved footfalls of 7.9 lakhs in H1 FY16 which is in comparison to FY15 which we did 10.6 lakhs footfall for full year. I think the first half performance is been decent the historical trend is that we do 60% to 62% of our annual footfall in the second half. So we are very confident that Q3 and Q4 will be good quarters for us.

Just to reiterate the policy for this year for FY16 our focus is to concentrate mainly on two KPIs namely footfall and revenue and be flexible and experimental on the ARPU as we are in the market creation space. With the current momentum we are expecting a growth in revenue of over 50% in FY16 over FY15.

I think this is what I thought I will give an outlook for the business and I will now hand the commentary over to Rakesh Khurmi – our CFO, to go a little deeper dive into the financial. Thank you, over to you Rakesh.

Rakesh Khurmi:

Thanks, Kapil. So I will now talk about little more details on the profit and loss and balance sheet. So let us start with the profit and loss statement. To start with, I think let us look at the two important KPIs, first is the footfall, the second is the ARPU. So on footfall for Q2, we have done 2.48 lakhs versus 2.16 lakhs last year. So growth of 15% and the breakup is as follows: for Theme Park we have done 1.48 and for Water Park we have done 1 lakh. So it is a 60:40 ratio in this particular quarter and last time the Water Park percentage was 45%. So for H1 overall Water Park percentage is 43%. And on the ARPU, so for Q2 we have achieved 1463 as a console both parks put together weighted average realization, 1463 versus 1652 last quarter. And for H1 because Q2 is sort of a soft quarter so we have to look at both the quarters



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put together. So in H1 we have achieved 1541 versus 1815 last year H1. And just to be give you the breakup for this quarter ARPU which is adding up to 1463, the breakup is as follows: Ticket 991 which is for both the Parks, F&B 253, retail 141 and others is Rs.78. So they add up to 1463 so that is the Q2 ARPU breakup.

See I think at the same time I want to highlight that the reasons for the drop in ARPU in Q2 vis-à-vis the last year. The first as you have heard in the CEO speech, the first is primarily coming from the impact of service tax. So currently in this particular quarter we have had a hit of Rs.129 on ticket realization because of the service tax, because we have been able to partly pass on we the burden to the customer and the rest we have to absorb. So there is a Rs.129 hit from the revenue side. Of course, there is an input credit available. So at the EBITDA level the hit is lesser the impact is lesser but at the revenue level or the ARPU level the impact is Rs.129.

And the second thing is when we compared with the last year the impact of the Water Park, mix change. So last year, there was hardly any share from Water Park because we launch on 25th September so, we have now 40% sales in the Water Park versus just 7% last year. So it is having an impact of Rs.108 per visitor. So of course, this is an arithmetical calculation which is explaining the drop in the average realization. But it is important to know that on the non-ticket revenue side we have had a jump of Rs.80 per visitor. So to an extent we have been able to offset either the service tax or the Water Park mix by Rs.80. So as stated earlier in the CEO's speech there is a play of seasonality and therefore the Q2 is normally the soft quarter and therefore recoded revenue of 37.2 crores for the current quarter.

On the cost side, I think before I really talk about the numbers, it is important to know that the cost comparison for this quarter is exactly not apple to apple comparison because the current year cost includes the cost of Water Park and some cost of hotel also because we just launched towards the end of September. So there is some cost which is getting booked in this particular quarter and both these costs were not there last year, right. So the way we have to look at it the right comparison would be to do, the comparison with Q1 of this year. Because in this particular year we had already started the Water Park and now hotel is launched but there is very small impact of the hotel cost. So almost all cost line items the cost is lesser than the cost in Q1 so that is the point I want to make up front before I really deep dive.

So now let us look at some of the key elements which are basically the advertisement, employee and the interest. So on advertisement and marketing cost we have spent 11 crores, so there is, when we compare with the Q1 of this year so we have had a sort of drop of Rs.8 crores rightly so because in Q2 we have spent less on the mark on and we spent lesser amount per say because of the lower volumes so, there is a drop of around Rs.8 crores vis-à-vis the Q1 and it includes in terms of the cost components marketing which is a marcom, commission paid to the channel partner, online booking transaction charges and the promotional discounts.



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So on the employee cost another major cost for us, this is 14.9 crores for this particular quarter Q2 and again it is down vis-à-vis the Q1 primarily just appreciate this cost is fixed and as a percentage probably it will look higher because the revenue scale was smaller in Q2. And on the full year basis on an average I think the outlook in terms of the employee cost as a percentage of revenue is 32%.

On interest cost, the current rate of interest is 12.75%. There was some bank rate reduction and we got some benefit. Of course, we are still trying to put our proposal to negotiate the reduction in the rate of interest that benefit will be over and above and we have been able to upgrade the rating and this is the rating I think we have a fair chance of reduction in the rate of interest so current rate of interest is 12.75. Apart from the impact of Water Park and hotel capitalization, the interest cost also includes the cost for loan two. So I will talk little more on loan two in the balance sheet section. So there is a loan two element as well. So in actual, in the nutshell overall cost structure we are on the course and we do not see cost undergoing much of a change as we go forward.

So now let us talk about the balance sheet. So balance sheet primarily I am talking about two main line items, one is the debt. There is a change in the debt position and also on the fixed asset block. So IPO proceeds we had explained last time so there is not much of a change. So on debt side, the current debt as of September end is 915 crores, post IPO we have till date, till September end we have paid 251 crores and we have also lined up a loan two facility of 110 crores which is primarily done to fund the hotel CAPEX. Well we have already done the drawdown of 40 crores as of September end, just in the last week of September. The drawdown for loan two is likely to be 75 crores to 80 crores out of this facility and the key terms of the loan two are aligned to that of loan one. So though it is a separate transaction but by in large in terms of the tenure and the rate of interest and the security they are aligned to the loan one.

And on the fixed asset side, the total asset block, net block is 1487 crores and the measure moment in this particular quarter is on account of the capitalization of hotel. So for Phase 1 we have done the capitalization of 138 crores for 116 rooms. So the Phase 2 and Phase 3 for around 170 more rooms the work is in full swing and we are likely to have full hotel cost in the range of Rs.190 crores as and when we complete the 287 rooms. So the total cost in this quarter capitalize is 138 and total hotel cost likely 190 crores.

And it is important to know that as stated in the previous earnings call, the township permission for surplus land of approximately 170 acres is still awaited and as and when it comes the monetization effort will start and that should help in reducing the debt in medium term. So this is from my side now I throw the floor open for the Q&A. Thank you very much.



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Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Dinesh N from Catamaran. Please proceed.

Dinesh N: I have three questions basically. One is on the Hyderabad JV, what is approximately when do we intend to actually start that Hyderabad JV and what will be the capital outlay, that is question number one? And number two, what is the entertainment tax which are paying and what is the service tax which you are paying in terms of percentage or what would be that? And number three, do we own all of the restaurants which are there in the park or some of them are operated by third parties? These are my three questions, sir.

Kapil Bagla: Okay. So I will take questions one by one so on the Hyderabad JV I think there is status Quo in terms of Hyderabad JV which is concerned right now. What we had done was only on the planning stages that we are trying to assess the market situation and when do you want to do an entry strategy to a market like Hyderabad and now since, the market is also expanding the Telangana also performing like that. So as of now we have not made any progress on the Hyderabad JV We will let you, we will update you as and when something happens on that front. The second question on the entertainment tax, the entertainment tax on Amusement Parks in the state of Maharashtra is 15% on ticketing revenue. However by virtue of the Mega Tourism Policy under which our project is classified, we have an exemption of entertainment tax payment for a period of 10 year starting 2013 for the Theme Park and 2014 for the Water Park. So I think for the next balance eight years, we do not have a liability to pay an entertainment tax. As far as the service tax is concerned from 1st of June, there was interruption of 14% service tax on the admission ticket price to amusement park by the new finance bill and that is what we are coming under at this point in time. The third point is whether the restaurant, all the restaurants business and the business of running food in the Theme Park or the Water Park is owned by us there is no franchise.

Dinesh N: Okay. And in the future when we do the revenue sharing agreements with the Snow Park and Adventure Park, how will it be classified in the revenue will it be only the commission whatever share we are having it will be part of revenue or the entire revenue will come as part of revenue and the remaining will go to expenses?

Kapil Bagla: Yes, so see, I mean for as practical purpose we should assume only the net revenue coming to us as our inflow. Now whether it gets routed through top-line or to the bottom-line, I do not think we should consider that.

Rakesh Khurmi: No, see it will be a separate legal entity actually done by that gentleman and we will only get our share.

Kapil Bagla: Yes. So the way that just to rephrase, we have our revenue share arrangement of 25% to 30% depending on the footfalls that we get into the Snow Park and consequently the food business



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and retail business inside the Snow Park is managed by us so we give our 15% share on that business to the partner. So, this is how the JV is structured.

Dinesh N: Okay, sir. One last question sir, on the advertisement front what are the various ad spent and mix which are you doing, what are the channels through which we advertise?

Kapil Bagla: I think the primary marketing spent that so the channels are television so, we have obviously TV channels, we are doing radio in a big manner. We are doing digital, digital I think is a descent amount that we are spending on digital and social media. We are using hoardings and outdoor for our kind of business hoardings and outdoors which we are doing in the catchment areas of Mumbai, Pune and when we launched new cities like Kolhapur or Nasik and all plus in Gujarat also, in Ahmedabad, Surat, Baroda we are doing, we are taking the route of outdoor. So these are the four primary advertising mixes that we are using.

Dinesh N: Okay. And what would be the dominant among these three or is it equally split or?

Kapil Bagla: Dominant generally is television then followed by almost outdoor and digital is almost same and then a small component of radio and print.

Dinesh N: Okay. Television will be, in National Television Channels it will be advertised?

Kapil Bagla: Yes. So we select a very smart mix of channels which based on our media partner...

Rakesh Khurmi: Well last time we were on IPL, this time we are on Big Boss. They are all national program.

Dinesh N: Okay. The reason I was asking because this is more of localized tourisms destination so...

Rakesh Khurmi: We did also it also on Maharashtra channel.

Kapil Bagla: See the way we are trying to position is viewership in our catchment which is Maharashtra and Gujarat it is very large segment and there is no way to reach these two segments if you decide very local advertising, right. Also our aspiration once the Novotel happens is to become like a, we are aspiring to be a National asset and an all India holiday destination. So it is a good feeder that goes into these markets and we are seeing results of that actually.

Dinesh N: Okay, Sir so we can safely assume that more than 50% of the advertising spends will be on televisions, right?

Kapil Bagla: I think 40%.

Moderator: Thank you very much. The next question is from the line of Sonal Gandhi from Anand Rathi. Please proceed.



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Sonal Gandhi: Sir, can you please share realization for Imagica and Aquamagica?

Kapil Bagla: Rakesh?

Rakesh Khurmi: Yes, so for Q2 the CONSOL basis realization is 1463 the Theme Park is 1649.

Sonal Gandhi: Sorry.

Rakesh Khurmi: 1649 for Theme Park and 1184 for Water Park, weighted average is 1463.

Sonal Gandhi: And Sir, when was the price hike taken 5%?

Rakesh Khurmi: Sorry.

Sonal Gandhi: When was the price hike taken 5%?

Rakesh Khurmi: Yes, that was done immediately after the Service Tax which was imposed so in the middle of June.

Sonal Gandhi: Okay. Sir, going forward I mean what realization should I look at because we are seeing like 60-40 mix for Theme Park and Water Park. So about Rs 990 - Rs.1,000 is the realization per ticket that we should assume going forward?

Kapil Bagla: No, see the mix changes okay we feel that see our average realization okay for H1 if you see is 1541 which is 1822 in the Theme Park and 1171 in the Water Park okay which is based on 60-40 kind of a distribution. In H2, the mix is likely to change in the benefit to Theme Park so I mean because of seasonality. So I think going forward probably is a good idea that we are actually targeting our average ARPU to be upwards of 1600-1650 in H2.

Sonal Gandhi: Okay. But sir, like we are expanding the network agent and I believe that we give them up commission of about 30% to 35%.

Kapil Bagla: Sorry.

Sonal Gandhi: We are expanding the network of agents and we give them up commission of around netted off 30%. So is it possible for us to do ARPU 1600?

Kapil Bagla: No, we are not we follow

Rakesh Khurmi: First of all the cost whatever you are incurring on the agency is factored in the cost so it is not netted off in the realization. So the realization is what you are getting from customer after service tax is knocked off we will recognize it as revenue. So whatever cost we are paying to



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agents all for marketing all that goes in the cost side from the structure part right and the second thing is the cost which you have highlighted is 30% it is the advertisement, marketing say all everything put together so as I explain there were four components one is the marketing, the other is agencies commission third is transaction charges for the online booking charges like credit card and website charges and fourth is the promotion. So the agency commission is the only weighted average as of now is 12% - 12.5%.

Sonal Gandhi: Okay. And sir, for the schemes that we run I mean buy two tickets and get one free. So how do we account for that I means is it taken in to cost or it is netted off from the realization?

Rakesh Khurmi : See there are three visitors who would have come right so, there three tickets in this particular thing there is a gross revenue of three ticket and the corresponding discount this advertisement side which is the promotional discount.

Sonal Gandhi: Okay so it is taken into my cost.

Rakesh Khurmi : That is right.

Sonal Gandhi: Okay Sir you were saying something on the loans front so I kind of missed that if you could just repeat it about loan two?

Kapil Bagla: Yes, so loan two we have got a facility of 110 crores from the existing lenders and the terms are same, when I say terms that means rate of interest, the tenure, the security so there is no additional security so this is primarily to fund the hotel CAPEX. We have currently done the drawdown of 40 crores in the month of September, right and we are likely to have a total facility utilization of 75 crores to 80 crores which is nothing but the balance expense, balance CAPEX fund for the hotel.

Sonal Gandhi: Okay. And sir, you also mentioned about the ride addition in the Water Park so what would be the CAPEX for that?

Rakesh Khurmi: See that approximately CAPEX right now that we are working will be about 5 crores.

Moderator: Thank you very much. Our next question is from the line of Jhanvi Shah from Reliance Mutual Fund. Please proceed.

Jhanvi Shah: Sir, can you tell us the total discounting element in pricing across all segments that we have? In the sense of all the offers because if you want walk-ins you would not have discounting elements on agents and all of them.

Kapil Bagla: So typically, let me tell to what type of scheme typically run?



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- Jhanvi Shah:** Yes, so how this your discounting element versus your MRP?
- Kapil Bagla:** No, if I see I think it is a question of averages I do not think discounting happens on 100% of the business. So as of now the mix between walk-ins and the groups and B2B, okay, is roughly 72% is walk-ins and online ticketing and everything and the groups are about 28%.
- Jhanvi Shah:** And this would have come down because earlier your walk-ins were little lower in terms of percentage, right?
- Kapil Bagla:** No this is I am talking of H1 consolidated, okay.
- Jhanvi Shah:** Sir, walk-ins and even online they are paying the entire...
- Kapil Bagla:** They are paying the entire, you sometimes run promotion scheme for a limited period like for example we run a scheme where you book more than five tickets in one transaction and you can get up to 10% discount that is the package of family options, okay.
- Jhanvi Shah:** Okay. And what is the gap between group and walk-ins, is it very wide in terms of rupees?
- Kapil Bagla:** No, see our group sales in terms of total footfall are at present about, group sales is roughly in the region about 10% to 12% only. And depending on the size of groups the discount say is anywhere from 20% to 30%. Similarly for travel agent which have already moved up from the earlier share from last year we are almost our 15% going through B2B agent for which you know our commission structure on an average is about 12% to 12.5%. So I think the way one is moving forward is while walk-ins and digital businesses will largely happen from the casement area and people who are coming it is the groups and B2B segment which is going to expand and get business from the non-catchment area.
- Jhanvi Shah:** Right, Okay. Since last year the Aquamagica was not there so on a year-on-year basis your footfalls do look higher. But so because of that entire incident that has happened that has probably caused footfalls be lower for the Theme Park has it got corrected for this month ...
- Kapil Bagla:** No, that incident we are talking is February 2014.
- Jhanvi Shah:** No, I am talking about Q2, your footfalls were lower?
- Kapil Bagla:** No, see I think I tell you when interested analysis that we are doing, in terms of Q2 see our understanding was always when we talked on call that Q1 and Q2.
- Jhanvi Shah:** I am not talking on quarter-on-quarter, I am saying year-on-year also if you see because Aquamagica was not probably present last year and it has come in this year. If you could just



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tell us the growth of the theme park and Aquamagica for this quarter how much it has change year-on-year basis?

Kapil Bagla: Yes, okay. So between last year and this year which is FY15-FY16 on an H1 basis, okay? The Theme Park growth has been 17% over last year.

Jhanvi Shah: Can you say precisely of Q2?

Kapil Bagla: And for Q2, if there is a drop of 26% obviously last year in Q2 there was no Water Park I mean you were there only for a launch period so I mean the balance 1 lakh is contributed by Water Park. But please understand we were always anticipating Water Park to do better in Q1 and Q2

Jhanvi Shah: Because of the seasonality?

Kapil Bagla: Yes, because of the seasonality. The question is that whether the footfalls that we got in Q2 were based on our understanding. I feel that we got quite hit on this one month one point almost one and a half month of disruption on the express way.

Jhanvi Shah: That is exactly what I am referring to, has that got solved now?

Kapil Bagla: Yes, that is now over. Now the repair was that was supposed to be done and done. From the trend onwards you have seen Novotel we opened on 16th of September there have good occupancies, in October we are tracking seasonable numbers. So and we are all geared up. Now there is actually, that external factor is not there.

Jhanvi Shah: Right. So after opening of Novotel you see an uptrend in the footfalls overall for both the parks of us for the month of October?

Kapil Bagla: I do not know whether Novotel is a contribution for an uptrend. Novotel in terms of capacity we only add a small amount to the Theme Park. What it does, it gives an option to corporate customers. So I mean if you see the presentation that we have uploaded almost 50% of our footfalls in Novotel have been MICE which is groups and corporate groups. And what happens people are staying for one day, two day and experiencing both the parks, so I think it is a very good combination that does. The real effect of Novotel will come in once we are fully scaled up to 287 rooms.

Jhanvi Shah: And when does that happen?

Kapil Bagla: So I think work is going on. We will hope to complete and add all the rooms before March, 2016 in Q4. Yes, we have probably launch it in parts as and when the demand business but in Q4 we will complete all the rooms.



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- Jhanvi Shah:** Okay. Sir, October as a month has been pretty I mean was a positive trend for us?
- Kapil Bagla:** Yes, just to maybe your sense in October, we have done numbers about close to about 1,18,000 to 1,20,000 or so.
- Jhanvi Shah:** Is this combine?
- Kapil Bagla:** This is combine. And now the season is starting for Diwali vacation happened the way it has happened from last year to this year actually.
- Rakesh Khurmi** And last year Diwali and Dussehra, they were in October. This time Diwali is in November, Yes.
- Moderator:** Thank you. The next question is from a line of Kaustubh Pavaskar from Sharekhan. Please proceed.
- Kaustubh Pavaskar:** Sir my question is one the operating cost as you mentioned that because of hotel and launch of Novotel and Water Park this quarter we have seen increase in operating cost on Y-o-Y basis. But is there any element of one off like pre-operating expenses in terms of hotel since you have launched in the end of the quarter, so is there any one off pre-operating expenses which we should not expect in the quarter three, quarter four?
- Rakesh Khurmi :** Yes. So pre-operative is there but it is a very small numbers, it is 3.2 million only.
- Kaustubh Pavaskar:** Okay. Any other one off, because I just want to understand what would be the cost structure in the coming quarters in terms of incorporating all the, now since hotel is also launched, you have your Water Park and Theme park going. So just wanted to understand whether we will see some similar kind of cost structure going ahead or there will be some kind of savings?
- Rakesh Khurmi:** Yes. So almost like on advertisement and say the sales and promotional expenses this will keep fluctuating like in Q1, we had 19 crores, this quarter we had only 11. And on other parameters for example, repair and maintenance, power and fuel, housekeeping all of that we had a reduction only and we will continue to have the sort of savings from that vis-à-vis the Q1 which I highlighted. So the cost surprises so to say will not be there. Pre-op there may be a small component coming again whenever we launch the balances Phase-2 and Phase-3. Otherwise, the hotel P&L will now get adapted because it is a very small piece only for 16 days in this particular quarter. But at the same time you will have corresponding revenue also. But on standalone basis on hotel only, we have had EBITDA volatility in the first month itself. So in a way, there is no impact so to say on the EBITDA from hotel side.
- Kaustubh Pavaskar:** And sir, the second phase of the room addition, when do you expect that to come in?



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Kapil Bagla: Yes. So as I pointed out in the previous question also, we will complete the rooms in Q4, all the 170 rooms, okay? So for a next year, all the rooms will be there. We will probably depending on how the volumes are there and demand is there. We will probably launch those rooms in phases between probably start of Q4 to the end of Q4.

Kaustubh Pavaskar: And sir my next question is on the footfalls as we had a question about whether we have started seeing improvement in footfalls since the issue has been sort out. See now Diwali vacation is likely to start from 6th of November for schools. So have you started seeing or have you started receiving any bookings from because of the upcoming vacation season or holiday season?

Kapil Bagla: I think advance bookings have been pretty decent actually speaking a week from Diwali even for hotel we probably you try to book the hotel you will not get rooms for that week I think. So I think we are quite encouraged with the start so to say.

Moderator: Thank you. The next question is from the line of Ankit Kedia from Centrum Broking. Please proceed.

Ankit Kedia: Sir, my first question is on the schools footfall, how is that been affected in quarter two because you said some schools in Gujarat also postponed their buying, so can we see some pent up demand help us in Q3? And given that there has been a delay in the festive season, so can we see the schools actually sending kids in quarter four as well and how has been the pre-booking on that side?

Kapil Bagla: See the school business starts from September, it continues up till February actually. So in our case while September was okay I think we are better than last year but we were expecting a little more. To that extent in October we have got some decent traction in schools and this is going to continue in November and December as well and it continues straight up till February. I think we are quite encouraged by that business because that is the business that keeps your park busy during in the week days and it is important to have those business and in all fronts it is school business whatever we have done so far we are almost up in terms of footfalls from particularly from the school business we are almost up 100% from what we did in the same period last year.

Ankit Kedia: Have you been able to increase ticket prices in school business as well?

Kapil Bagla: About marginally by about Rs. 100 from the last year.

Ankit Kedia: Sure. And just a follow-up on the school business, are you seeing some traction in the Water Park as well or it is only in the Theme Park currently?



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- Kapil Bagla:** No. So we only allow school eight standard and above in the Water Park as a safety policy, okay. Obviously the predominant business in the schools is happening on the Theme Park. This college segment is more active in the Water Park.
- Ankit Kedia:** So have you seen some repeat customers who last year came in the Theme Park now visiting the Water Park at least for you?
- Kapil Bagla:** Quite a few. And this is more favorites of the group customer. So there are groups and corporate to get Theme Park last year, okay? Have come back and done the Water Park.
- Ankit Kedia:** Sure. And sir my second question is on the season pass, it has been now more than five months to six months since we have launched the season pass, how has been the traction there now? And are we aggressively pushing the season pass, because we do not see much advertisements on that front at least?
- Kapil Bagla:** Actually we are not pushing the season pass so much, okay. Somewhere or the other our launch of the pass was not in the right season. We are in Q2 and we were bogged down with other problems rather than pushing up the season pass. I personally feel that there is so much normal demand that is existing so much normal market that we need to capture that a season pass becomes a corollary to increase business. I am sure in the coming six months the sale of season pass will be much more that we did so far in H1. I do not have the numbers right away with me but we are adding I mean as I told you that we are adding lot of customer experiences now going forward to the pass. For example, we are adding a gifting option online so basically you can gift a visit to Imagica to your friend, you can gift a value of Imagica to your friends and family. So I think lot of customer interactive updates that we are having. We will start working on the pushing season pass now in H1.
- Ankit Kedia:** Sure. Sir, our other revenues per visitor has increased substantially, even quarter-on-quarter basis so what has got to that change? Is it more marketing activity in the park or is it something else?
- Kapil Bagla:** No, it was two things or three things that is happened actually. I think that is obviously the in park activities in the park have increased actually. If you go to the park, you will see people cross selling internally in the park and up selling stuff in the parks. There has been also, if we have done a lot of facilitation in terms of travel from which is giving transport car hired from Bombay, Pune and bus hires from there. So that has also added to the revenue. We have added a lot of revenues are coming from parking a lot of revenues are coming from other facilities like strollers, wheel chairs, and stuff like that. So that is why the ramp up is better even to that extent the photo revenues are also, we are now working out our strategy to increase the digi photo or the photo revenues also.



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- Ankit Kedia:** Sure. And sir my last question is regarding your debt. We have increased the debt quarter-on-quarter for the hotel business, can we assume after the drawdown of increment is 40 odd crores that will be a peak debt and incrementally from free cash we will support our CAPEX and probably reduce our debt?
- Kapil Bagla:** As of now that is the plan, there is no other anticipated thing that we are doing whatever we are signed to draw down at this point in time. We will take care of our kind of expansion that we have put ourselves; we have said that we want got to add a Snow Park and adventure park I think that will be taken care of. We are going to add the one-off attraction like an additional attraction into Water Park which will add to revenues. So I think Yes, to that extent I feel an outlook of 80 crores - 85 crores should be on a peak of our debt. You should also, we will actually, we should also see that we have still about 19 crores of debt that we need to pay back, repay. So we will probably pay that also in this quarter ones we get the terms negotiated.
- Moderator:** Thank you. Our next question is from the line of from Saurabh Pant from SBI Mutual Fund. Please proceed.
- Saurabh Pant:** I had three questions. The first one was, can you give me the corresponding numbers for the ARPU, for Theme Park and Water Park so, and the corresponding numbers were 16, 49 and 1184?
- Rakesh Khurmi:** Yes. So last year Q2 was 1754 for Theme Park and only 340 for Water Park because ticket was free for first five days and it is only the food and maybe retail revenue a little of that, just for five days. So it was only 341 so the weighted average is 1652.
- Saurabh Pant:** And for the previous quarter that is Q1 this year?
- Rakesh Khurmi:** Q1 this year, weighted average was 1577 which we reported in the Q1 earnings call and Theme Park was 1909 and Water was 1166.
- Saurabh Pant:** Okay. So why has there been a deterioration? If you can just throw some light on the Theme Park, why has that been coming down?
- Rakesh Khurmi:** One is the service Tax of course, actually...
- Kapil Bagla:** I think one element as Rakesh explained was the service tax I meant which is close to about Rs.108 or Rs.120, that the impact Rs.129 actually.
- Kapil Bagla:** Also Q2, if you see, we do promotions in Q2 being a low season. So if actively our promotion was the 30% discount on the rack rate of Q1. So this is only a Q2 promotion.
- Rakesh Khurmi :** No, but now it is again full price.



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- Rakesh Khurmi:** Now we are back to, for this season we are back to full price. Also from the philosophical purpose, if you look at as Kapil explained in the earnings call, last year we were fundamentally gaining for of course in numbers but ARPU improvement happened vis-à-vis the last to last year. We were focused on enhancing the ARPU as a focus area. So this year we are saying time and again that we want to actually going for revenue and the number of visitors and we have been little flexible on the average realization and that is why we have taken lot of initiatives like Happy Tuesday, Lazy Sunday and we will continue to do because and we have seen some sparks and these are the very precious learning as we go forward, we need to have and it is actually very helpful.
- Saurabh Pant:** So I get that. But do you think these promotions are just a quarterly phenomenon you put it in one quarter, you would utilize in the next quarter?
- Kapil Bagla:** Largely it is a quarterly phenomenon.
- Rakesh Khurmi:** Mainly Q2 actually.
- Saurabh Pant:** Okay. So it is just a function of just pushing demand whenever it is weak?
- Kapil Bagla:** See I will tell you, the way that the momentum on Q1 was we were very-very hopeful that at least our internal targets for what we have shown to you are much higher, that is what I can say I mean I cannot spell out the internal target, but they are much higher. Unfortunately of this issue happening, we were all committed in terms of promoting it in a manner to reach that kind of footfall activation, okay. So when were commitment happens which is why you see, I mean while the mark on we have spent 11 crores this year it is higher than what we spend in Q2 last year, okay because we wanted to build up that momentum for Q2. So I mean, not that money spent is not waste so to say but at least we believe so that it will somehow end up to a demand which will translate into H2.
- Saurabh Pant:** Okay, fair. And in terms of, so the second question was in terms of footfalls, so this temporary issue of highway not functioning for some time and obviously consumer staying away because of that news. How much of your footfalls comes from Pune and that part of the footfalls get affected more than the Bombay footfalls?
- Kapil Bagla:** For us 100% of footfalls gets affected because the only feeder root is Bombay-Pune to the park, right? So where anybody is coming from anywhere, okay?
- Rakesh Khurmi:** See, it does not move from here itself. The moment he know that....
- Kapil Bagla:** And even if people are coming from Gujarat, coming from anywhere those are the feeder. People coming from let us say Nasik or whatever this is the primary connector, right? I think, so I mean, while we have 65% of our business coming from Mumbai Pune which is primary



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but still 45% to 35% comes from rest of Maharashtra from other places. So it was a huge deterrent according to the team and the type of calls that you are going to get on the calls center everybody asking we are running, not running. There is a toll naka that is there in front of maybe when we come to Imagica but the queues over there were five six to six hours I mean were almost 3 kilometers every day.

Rakesh Khurmi: See, there was a first page news on Times of India for couple of days which highlighted this and also so it is not just our version I think we have done little bit of mark-to-market. So even in Lonavala the hotel booking rate and everywhere we have checked at informally or maybe through the friends, there is a drop of let us say hotels around 30% to 35% occupancy. It is one of a key factor in this particular quarter which has impacted us.

Saurabh Pant: Okay. And last question was on the hotel, 67% occupancy this is for what, 15 days of September or what?

Kapil Bagla: Yes, that is right, 15 days of September, Yes.

Saurabh Pant: Okay and how many of these guest were also your guest at the Theme Park or Water Park?

Kapil Bagla: Upwards of 60%.

Rakesh Khurmi: Yes. So basically the way we have to look at it let us say the corporate who would have come and say like on one day Vodafone booked all rooms, right. So if you take out the corporate from the non-corporate I think the occupancy was more than 90% where corporate would come like that probably they will start bringing their families as they go forward and they go back guilty that I have been here and my family has not been here. So that is a future business, but in the interim I think from the non-corporate is what matters and at least to start with it is pretty healthy.

Moderator: Thank you. The next question is a follow-up question from the line of Dinesh N from Catamaran. Please proceed.

Dinesh N: I have a question on the room rent. What is the average room rent in our hotels?

Kapil Bagla: Average realization is 5200.

Dinesh N: Okay, 5200. And the food price which you charge on the restaurants are they on the market, MRP rate or like multiplexes which charge more than the MRP?

Kapil Bagla: I do not think we can be multiplexes but I think we are pretty reasonably priced that is why we have seen that kind of consumption that we are seeing.



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- Dinesh N:** Okay. Because average extra revenue per visit has been increasing so much, that is why?
- Kapil Bagla:** Yes. But we are not McDonalds also in some cases.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investec Securities. Please proceed.
- Amit Kumar:** Just wanted to get a sense so this room rate of 5,200 I presume it is for the 15 days in the previous quarter, how is it so the trended in October?
- Kapil Bagla:** It is only better. Our occupancies in October has been upwards of actually 78%.
- Amit Kumar:** No, sorry I am talking about ARR.
- Rakesh Khurmi:** Yes, so ARR will be about 8200 total.
- Kapil Bagla:** 8293 on total including F&B. 5196 is the ARR only for room.
- Amit Kumar:** Again I am sorry, is this for the 15 days in September or is this for October?
- Kapil Bagla:** No, only October.
- Amit Kumar:** October. So it is trending just stable at.
- Kapil Bagla:** Yes.
- Rakesh Khurmi:** No. But still these are early days, we have a smaller inventory as we improve I think the expectation is to definitely do more than 50% but (+75%) sustainability maybe a challenge, that is maybe just to start with.
- Moderator:** It seems that a line for the participant has dropped. We will move to the next question which is from the line of Sonal Gandhi from Anand Rathi. Please proceed.
- Sonal Gandhi:** Just wanted to understand I mean initially we had CAPEX plan of 130 crores for the hotels and now we are looking at about 190 crores so whereas the slippage been, you were on 60 crores, is it because we were actually upgrading it to a five star property?
- Kapil Bagla:** Yes. In the last call, we had said that see we signed up our initial plan in terms of CAPEX when we take the project was about 135 crores, okay. We signed up with Novotel and our plan was actually do a 3 star family property, okay. But when we signed up with Novotel and the way that the demand projections of Novotel that came and we had to do an upgrade and if you see and the kind of reviews that we have got on the hotel, is a very-very decent upper category



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5 star property that we have built up. This is why we have managed to put to get this kind of ARR and our idea of improvement of ARR had been better. Our reviews on Trip Advisors are all 4 and 5 star plus. So I think it is the money we feel well spent.

Rakesh Khurmi: Yes, from the context I think initial expectation was to do only 4,000 per room when we were doing our own internal projections and now we are able to do more than 5,000. It is only because of higher standard which is maintained by Novotel.

Sonal Gandhi: Okay. Sir I mean payback period that you are looking for this property?

Kapil Bagla: Hotel?

Sonal Gandhi: Yes.

Kapil Bagla: Most hotels generally have a 10 year payback period but because we are linked to the Theme Park I feel that our operating margin and operating parameters will be much better than typical hotel. So I mean, just to give you a sense that on a full blown basis, the revenue expectations could be in the region of 50 crores per year, 50 crores to 55 crores. And as on a full blown basis on an average 60% occupancy let us say, you will look at almost about 40% GOP So I think to that extent probably the payback would be in the region of six years to seven years.

Sonal Gandhi: Okay. And sir what is the CAPEX for the full year that we are looking at, because we have already spend like 41 crores in Q2?

Kapil Bagla: Additional about 39 crores to 40 crores I mean maximum 80 crores.

Sonal Gandhi: So for the entire year about 80 crores.

Moderator: Thank you. The next question is from the line Jai Doshi from Kotak Securities. Please proceed.

Jai Doshi: Apologize if my question has already been answered by you earlier I was off the call for a few minutes. See just one thing, we took a series of steps which helped us increase our Theme Park, footfalls by about 65% in the first quarter and it went down by 26% on a Y-o-Y basis in the second quarter understandably because of all the issues are on logistics. I know you do not give a monthly numbers but just for our comfort, could you give us some sense of how footfalls have been for Theme Park on a Y-o-Y basis in the month of October?

Kapil Bagla: Can we take this thing at this point of time it will be difficult to disclose but we can probably share it in the next call or somewhere this thing. But the growth has been better that is what I meant I do not have the figures ready with me right now.

Jai Doshi: Okay. So it is growing on a Y-o-Y basis?



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- Kapil Bagla:** It will grow and it will continue to grow even from November, December, January because these are the season for the Theme Park.
- Moderator:** Thank you. The next question is from line of Amit Kumar from Investec Securities. Please proceed.
- Amit Kumar:** My line got dropped. I just missed, the ARPU break up for this particular quarter across Imagica, Aquamagica and blended, if you can please repeat that one?
- Rakesh Khurmi:** Yes. Q2 this year, Theme Park is 1649, Water Park is 1184 and last year we said Theme Park was 1754 and 341 only for Water Park, console was 1652.
- Amit Kumar:** Great. My second point, again just a data point which I missed you've talked about 28% group footfalls so 15% through, your B2B and large groups and other 10% to 12% so has the student included within these large groups?
- Kapil Bagla:** Sorry.
- Amit Kumar:** Students the school going crowd is that included within these large groups?
- Kapil Bagla:** Yes, that is included within the large groups.
- Amit Kumar:** So it's 72% walk-ins, 28% groups that is the...
- Kapil Bagla:** Correct.
- Moderator:** Thank you very much. As there are no further questions, I now hand the conference over to Mr. Bagla for closing remarks. Over to you, sir.
- Kapil Bagla:** Yes. I think I want to bring one point back again that I think the product that we have created and the market feedback and the customer feedback have been excellent. I can only say that for creating destinations like this it takes a little while. We are trying to compress the time as much as possible and I think that is why my team is working hard to get there in a much shorter time that we would probably anticipate in other parks to breakeven. The trend that we are seeing is encouraging. There will be some kind of hiccup temporarily nature hopefully as we saw some lifts in Q2. But I think the overall ground feedback is positive and that is what I wanted to share with you. I think by end of the year, you will see actual true entertainment destination being developed with somebody who can actually stay for three days or four days in the hotel, enjoy every park on one day and spend a small staycation or vacation with his family. I think we will probably be the only destination who can offer this as a product. We are thankful to all the support to all our investors who have been having faith with us. And I think our outlook



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both in the medium term as well as in the long-term is pretty optimistic. That is the thought that I want to leave you all with.

Moderator:

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