



“Adlabs Entertainment Limited Q1 FY 2018 Earnings  
Conference Call

July 28, 2017



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**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.



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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 year's 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 pleased 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.



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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 subsidiary 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



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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.



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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.



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**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?



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- 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





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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 to 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-scheduling 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.



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- 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?



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- 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



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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.



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- 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.



*Adlabs Entertainment Limited*  
*July 28, 2017*

**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.