



“Adlabs Entertainment Limited Q1 FY'17 Earnings
Conference Call”

July 29, 2016



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Moderator: Ladies and Gentlemen, Good day and Welcome to the Adlabs Entertainment Limited Q1 FY'17 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Kapil Bagla -- Director and CEO of Adlabs Entertainment Limited. Please go ahead, sir!

Kapil Bagla: Good afternoon, everybody. We are pleased to announce the first quarter results for FY'17. As you would have seen, the revenues for Q1 stand at Rs. 85.95 crores versus Rs. 80.01 crores in the corresponding quarter in FY'16 signifying the growth of 7.5% on a year-on-year basis.

EBITDA for Q1 is at Rs. 30.23 crores versus an EBITDA of Rs. 24.72 crores in the corresponding quarter showing a growth of 22.5%. The EBITDA margins therefore have improved to 35% from 30% last year and for the first time in this quarter we have achieved an operating cash profit of Rs. 1.28 crores.

For Q1 the footfalls of the park our Theme Park, Water Park and Snow Park put together stand at Rs. 5.15 lakhs versus Rs. 5.39 lakhs in the previous quarter; a decline of 4% on a Q-on-Q basis.

Just to give you a little background, last year FY'16, our focus was on footfalls which were being driven primarily by price reductions, promotions and certain schemes. We attempted growth through a discount led model through several schemes like “Happy Tuesday”, “Wat-A-Wednesday”, “Lazy Sunday’s”, etc. However, the learning from FY'16 has been that there is a relative price in-elasticity in the parks.

Therefore, it is our conclusion that an discounts led model is not an ideal for revenue maximization. While such schemes got some additional revenues in Q1 of the last year when they were introduced, the impact on additional footfalls was low from Q2 FY'16 onwards which led to a significant reduction in ARPU and the realization and therefore, lower total revenues.

So, our view is that FY'17 is a stabilization year, wherein all the project the Theme Park, Water Park, Hotel, now the Snow Park are functioning together for the first time. In this



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regard, the positioning of the business has been redefined over Q1 FY'17. When I say positioning, we feel that the premium positioning of the parks as it was envisaged while setting up the project that has been brought back into focus. Even the communication and branding strategy has been totally revamped to reflect the premium positioning of the parks. You would have seen it in the advertisements and all the promotions that we have carried on during this quarter.

The pricing has also been aligned keeping in mind the premium positioning and the price inelasticity of the product and the following steps have been taken in this regard. All the park pricing has been made exclusive of Service Tax; which means that Imagica will no longer absorb Service Tax impact and it will be charged to the customer on top of the ticket price as per any actual rate levied. Several low ARPU products have been discontinued. The focus is now on revenue maximization and on driving ticketing and non-ticketing ARPU's while maintaining the footfall. So, I think that is a change in terms of strategy that is reflective of Q1 and obviously will be reflected in the balance financial year as well.

The key highlights and development in Q1 FY'17 are as follows:

Point number one, substantially increased realization and ARPU. In this quarter, we have been able to increase our overall ARPU by 18% in comparison to our corresponding quarter last year. The Theme Park ARPU is actually up 18%; the Water Park ARPU is actually up by 27%. More particularly the net ARPU of ticketing only is up by 21% while the gross realization that is what the customer is actually paying post the service tax is up about 35%.

Further, the non-ticketing ARPU has also gone up by 11%. This is a substantial jump and a good achievement. This makes us believe, that during the season time the demand is largely inelastic vis-à-vis the price and that the Imagica brand has the pull to attract customers at premium pricing in comparison to other parks and other products.

While there has been some impact on Tuesdays, as we have discontinued our deep discount "Happy Tuesday" offer for the season, there has actually been an improvement in footfall for full-paying customers and on weekends that to at a higher ARPU.

We will therefore, continue to experiment the increased ARPU strategy for the remaining quarters as well and observe closely the impact on footfalls and revenues. We are hopeful that this strategy of revenue maximization with re-aligning the pricing to a superior product offering and positioning of the park will yield positive revenue outcome in Q2 to Q4.

The second highlight is our focus on operations cost rationalization. Now, that all the elements of the park vis-à-vis basically in the Theme Park, Water Park, and Snow Park are fully operational we have made concentrated effort to optimize our operating cost. There has been



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an all-round saving in the cost of operation whether it is power cost, employee cost, or any other overheads.

Our strategy of consolidating the Theme Park, Water Park, and Snow Park under a single brand Imagica has led to optimization of marketing cost and improved brand recall.

We feel that this cost optimization exercise in Q1 will have a larger impact going forward in the coming quarters. I would like to say that all these cost control exercise will be without any compromise of safety and security and maintenance of the parks and the guest.

In April we started the operation of the Snow Park, I think the Imagica Snow Park has received a great response since then from the guests. We have been able to add 21% of our footfalls to the Snow Park which is actually a good start and we were envisaging 15% actually share but I think that is a good start and with the revenue share of the Snow Park in Q1 we have in fact already recovered our investment made in the infrastructures for the Snow Park. So, that is a good start I think.

The next point is that the performance of our Hotel - Novotel Imagica, which continues to be actually very good in Q1. With the average occupancy at over 87% and the average ARR at Rs. 6,800 plus and the overall ARR including food up at Rs. 10,150. I think for a hotel which is fairly seven months - eight months old in operations, I think these are some fantastic KPIs that we have been able to achieve.

During the quarter, Novotel Imagica Khopoli has hosted 57 corporates and also organized One destination weddings apart from hosting a large number of pleasure holiday guests.

We are hopeful to launch the balance rooms of Novotel Imagica in Q2. The interior work of the same are almost completed and we are awaiting the operating permissions from the government for this.

Another significant development is the progress on the monetization of surplus land. As you are aware that our subsidiary Walkwater Properties has received a location clearance for developing a special township on part of the surplus land owned by Walkwater adjacent to Imagica, the approval is for 88 acres of the land out of the total surplus land of 170 acres held by WPPL. The company is in a process of obtaining the approval for the balance land as well. The location clearance marks a significant milestone toward monetization of surplus land through the wholly owned subsidiary.

Just to give you background that the 10 kilometers' radius which is in and around Khalapur where Imagica is located is witnessing sizeable real estate development with some large projects underway and with space by some marquee real estate companies.



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With the Navi Mumbai Airport project and other infrastructure projects like the Trans Harbour Link being put on the fast track by the government, it is expected that this corridor will become the epicenter of new development in this region.

With the location clearance of the township now received, we are in discussions with potential developer and are hoping to finalize an arrangement with some of them in the next few months.

With this Q1 performance, I think the overall focus areas for the balance of FY'17 are: one, our focus in FY'17 will be on EBITDA growth and profitability and margin expansion, with the aim to achieve cash breakeven on an overall basis with improved rationalization and rationalized cost. We as a management are perusing this target very aggressively.

Second, now that the brand positioning and the pricing of Imagica and the products are aligned we are focused on maximizing revenue through a combination of strategies like maximize revenues on peak seasons and weekends having higher ARPUs, focus on increasing footfalls of corporate and B2B tie-ups with online travel agents and using them to fill park in off season week days an even at little lower prices. Trying to create additional revenue streams by focusing on partnership and sponsorship, I think that is one of the focus areas and marketing alliances.

We are also looking to promote Imagica as a destination across all categories of leisure, wedding, MICE, etc. Also target additional revenue streams with obviously Snow Park to provide additional EBITDA without further investments.

So, these are some of the revenue maximizing strategies that we will be concentrating in the balance quarter.

During the year of course we will take concrete steps towards the monetization of surplus land with the location clearance now received we are now in discussion with potential developers and are hoping to finalize an arrangement in the next few months.

We are also hopeful to launch the balance rooms of the Hotel - Novotel Imagica in Q2. The interior work for the same is almost completed and we are awaiting operating permissions from the government.

And last but not the least, our final aim in FY'17 is to have cash profit which means that achieving cash break even. All our strategies of pricing, footfall growth, cost structures have been aligned keeping this objective in mind for this financial year.

With this, I would like to handover to our Vice President - Finance, Mayuresh Kore to discuss the financials of Q1 FY'17 in greater detail. Mayuresh.



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Mayuresh Kore:

Thanks, Kapil. I will now talk about the results for Q1 FY'17. Firstly, good evening, everybody. We would like to inform that we have reported the numbers as per IndAS IGAAP. The detail reconciliation has been provided on our website also.

I will talk to details on the footfalls and ARPU in this quarter. For Q1 FY'17 we have reported footfalls of 5.15 lakh vis-à-vis 5.39 lakh for Q1 FY'16. The break-up is as follows:

For Theme Park it is 2.11 lakhs; for Water Park 2.16 lakhs and for Snow Park which is newly launched in the quarter is 0.88 lakhs.

For Q1 FY'17 the revenue for the parks which is Theme Park and Water Park stands at Rs. 75 crores, for Hotel it is Rs. 9.4 crores and Snow Park it is Rs. 1.55 crores.

Coming to the ARPU's in detail the weighted average ARPU for Q1 FY'17 is Rs. 1,757 vis-à-vis Rs. 1,484 in the last quarter this is a growth of 18%.

The Theme Park ARPU for Q1 FY'17 is Rs. 2,090 versus Rs. 1,769 in last quarter which is again a growth of 18%. In this the ticketing ARPU is up by 22% and the non-ticketing by 7%. For the Water Park, the ARPU for Q1 is Rs. 1,432 versus Rs. 1,130 in last quarter which is a growth of 27%. The ticketing ARPU in the Water Park is up by 32% and non-ticketing by 16%. The increase in ARPU in Q1 FY'17 vis-à-vis Q1 FY'16, as Kapil mentioned, is primarily because the following reasons:

The consistent focus of management to improve pricing. Discontinuation of some low ARPU products such as "Happy Tuesday", "Wat-A-Wednesday" and importantly the ticket pricing has moved towards the tax plus model.

Coming to the EBITDA, our endeavor for this year was to improve our margin and accordingly our EBITDA for Q1 FY'17 stands at Rs. 30.2 crores versus Rs. 24.7 crores in the previous quarter which is an improvement of 22%. The EBITDA margin is also up at 35.2% compared to 30.9% in the corresponding previous quarter. In fact, as Kapil mentioned for the first time we have posted operating cash profit of Rs. 1.28 crores, this is basically EBITDA minus the finance cost.

Coming to the hotel performance. We are very happy to share that the hotel has broken its previous highs and is setting new benchmarks with capacity utilization for the Q1 of 88% and ARR in excess of Rs. 10,000.

The break-up of this ARR is as follows:

For the rooms, we are having an ARR of Rs. 6,894; for the F&B we are having ARR of Rs. 3,266 and thus, the total ARR is Rs. 10,159.



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Moving to the details on the cost and the highlights for the quarter vis-à-vis the cost, that the overall cost as compared to last year have remained flat. However, the fixed operating cost for the park business have come down by approx.. Rs. 4.9 crores in this quarter which is approximately Rs. 1.6 crores per month, this is because of our conscious efforts to optimize the cost and take benefits of synergies between the various assets.

Another head is repairs and maintenance cost, this is reduced by an absolute amount of Rs. 1.37 crores and this is largely due to the indigenization of sourcing of consumables. We have also been able to control the power and fuel cost by entering into an open access power purchase agreement and this is now permissible as per law, so this has helped us reduce per unit cost of power.

Due to our consistent initiatives to control costs, we expect the cost to come down further in the coming quarters as well. All this cost savings will be of course without compromising the safety and service qualities.

I will come to next item of interest cost. The current rate of interest on the bank borrowing is 12.5% per annum and thus the finance cost for Q1 is Rs. 29.2 crores, there is an increase and this increase is compared to last year primarily because of the hotel asset becoming operational this year compared to last quarter.

Our efforts for rate of interest reduction are going in a positive direction. Accordingly, our lead bank is also proposed reduction in interest rate to the consortium, the benefit of which we could see in the quarters to come.

The debt outstanding as on 30th June, stands at Rs. 984 crores.

So, that's it for me. We now throw the floor open for the Question-and-Answers, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Prasad Padala from Investec Capital. Please go ahead.

Prasad Padala: Sir, firstly, regarding the Snow World, suppose let us say somebody is taking tickets for both Snow World and Water Park so, is it considered as a separate footfall or should we consider only one footfall?

Kapil Bagla: So the tickets are done separately so, the footfall are considered separately. Yeah, because the separate tickets are issued, there are separate licenses for different parks actually.

Prasad Padala: Okay, fine, sir. So what is the revenue sharing for the Snow Park?



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- Kapil Bagla:** So we have ticketing revenue share from our partner at 25% so, we get 25% revenue share for the ticketing, while the F&B and retail in the Snow Park is operated by us in which case we share 15% of the revenue.
- Prasad Padala:** Okay, fine, great, sir. And sir, is it possible to share the number like what portion of people are opting like only for Snow Park and what portion would be taking as a combined ticket going forward?
- Kapil Bagla:** As of now I do not have the exact number; but we would probably send it offline something, I do not have it right now.
- Prasad Padala:** And I just want to understand it is like more than 50% or more.
- Kapil Bagla:** No, I think it will be less than 50% if that is your wish.
- Moderator:** Thank you very much. We have the next question from the line of Amrut Kalantri, who is an Individual Investor. Please go ahead.
- Amrut Kalantri:** The first question is on your presentation, just a small point on your presentation, page #21 it shows EBITDA in rupees crores of Rs. 300 crores I think that is in millions.
- Kapil Bagla:** Right. I think that point has been corrected. There was an error, yes, so I think the revised presentation has also been uploaded.
- Amrut Kalantri:** Okay, great. Second, I wanted to ask was your plans about making a few, adding few more rides every year, so what is the CAPEX of ride and what is the CAPEX for the next few years.
- Kapil Bagla:** See at this points in time, because we have just opened our Snow Park this year so, as of now at least for the next two years, we do not have any major CAPEX plan. We probably would like to add one attraction in the Water Park in the next year, I think that is it. We are doing some upgrades for our existing attractions in the Theme Park. Some technology upgrade, we should be ready with very-very interesting technologies, we are experimenting with new virtual reality technology in our Theme Park attraction. So we will be able to share more details in the coming calls.
- Amrut Kalantri:** There is no ball park number also that you can share for next few years?
- Kapil Bagla:** There is no planned expenditure but, if you say for the next financial year probably a cost of about Rs. 5 crores to Rs. 7 crores.
- Amrut Kalantri:** Okay, great. And in terms of your real estate development, so, can you give us some, I know you are still in discussions so whether that would be a JV model or would you have an CAPEX so, you would be giving the land and say someone like Godrej Properties who actually get in to



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JV development and where the land owner actually does not provide any further capital infusion. So are you going to do that or are you going to incur a CAPEX also there?

Kapil Bagla: No, we will enter into only a plain JV agreement; there will not be any CAPEX from our side except the land.

Amrut Kalantri: Okay. And this is my last question if I may ask, any guidance that you can give on the debt balance because currently I think our debt is 1.5 to debt equity. So when do you think that would come down?

Kapil Bagla: I think first is that our natural repayment cycle for the debt is starting from FY'19. So that is where our repayment schedule for debt starts, okay. In the interim we are taking some measures like for example the monetization of surplus land, if we can get some cash flows on an upfront basis where we can kind of reduce the debt or prepay some of the debts that are already existing so, I think that is what I would like to say.

Moderator: Thank you very much. We have the next question from the line of Shadab Khan who is an Investor. Please go ahead, sir. Mr. Shadab Khan?

Shadab Khan: My question is related to the footfall for the Theme Park I mean it has come down drastically, I mean, by over 30% and this thing the new pricing strategy is kind of hurting rather than helping us.

Kapil Bagla: No, I am not too sure this has happened; this is primarily an impact of the discontinuation of some deep discounted products. I think going forward; let us make a concentration as we are doing on the revenue growth, ; and because this is the first quarter where the comparable in the previous year there was over hang of deep discounted footfall in the last quarter. So, I think once we change our positioning to a premium pricing and obviously there has been a larger impact also we have done plus service tax so, many changes in pricing is happening, we are actually quite happy that the customers have paid this kind of premium pricing as well and our customer experience have improved while the revenues have not suffered. So, I think that is where our concentration is, now that the new pricing is already set in, we do not see much resistance coming at our pricing. I think that is the strategy that we would want to establish or experiment in this current year.

Shadab Khan: Sir, I think we increase the prices somewhere in February, right I mean just when we to say to go with this plus tax model.

Kapil Bagla: No, we only increase the tax at that point in time. We did not change any...



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- Shadab Khan:** Yes, sir, plus tax model. So over the month I mean from February to let us say to June by the time this peak season ended did month on month the footfall picked up? I mean the people got use to the new price?
- Kapil Bagla:** I think from, I am just saying from April the effect was maximum, May it reduced and June it actually disappeared. So, if you see on a month on month basis the adjust is towards the positive side.
- Shadab Khan:** Okay. So, I mean basically we are looking at at-least like 30% to 35% reduction in the footfall numbers for Theme Park and Water Park so, despite that do you will be able to achieve cash break even like 10 to 12 lakh footfalls.
- Kapil Bagla:** No, I want to correct you here. See, the impact of the discounted products was maximum seen in the first quarter of last year. If you study our quarterly earnings last year from Q2, Q3, Q4, the impact of the discounting products actually reduced our ARPUs and revenue. Now, this year when the ARPUs are better, I do not think there will be that drastic a reduction if any according to me for this deep discounted product. I think this is only one quarter phenomena that we are seeing because of the base effect. So, we will probably see stability growth in terms of that because people have adjusted now there is no such product available so, we can adjust to that.
- Shadab Khan:** Okay. So, going forward you think that there will be full paying public footfalls?
- Kapil Bagla:** Absolutely.
- Shadab Khan:** Sir, what is the status of this Adventure Park, I mean, I think we were look I mean feasibility study or something the last time I check. So is that still on track or?
- Kapil Bagla:** No, I think the feasibility study is okay. Now, our discussions with the partner, we were not doing it ourselves, right; we were having collaboration with a partner. So I think that feasibility status and also the feasibility of certain right mix is underway. We are hopeful that in the next couple of months we should be able to complete that and before the next quarter we should be clear in terms of the timeline for execution of the same.
- Moderator:** Thank you very much. We have the next question from the line of Mr. Deepak Tiwari. Please go ahead.
- Deepak Tiwari:** Just continuing on the footfall question sir, just wanted your sense that the footfall that when you rationalize the pricing, did you envisage this kind of footfall or these footfalls are below your expectations when you implemented this rationalize the pricing?



Kapil Bagla: No, see, we definitely thought that there will be an impact. We were 100% sure that there might be some impact but we were only betting that at least the revenue should not drop. I think that was our benchmark, if the revenues sustain and our margins improve I think we are in the right direction and I think the trend has been in that direction. So, I think that way our stand is vindicated. Because see, this is not the decision that we have just taken very-very abruptly. We also saw what happened in Q1, Q2, Q3, Q4 last year and if you are studying, you would realize that in Q2, Q3, Q4, the effect of ARPU on a deep discounting model and the growth rate on revenues was much lower. So I think we had to correct. I think we actually planned it and started work on this February-March, onwards as well. Yeah, so I mean while our effective footfall if you see last year 49% it was increased in the footfall but the revenue increased were only 22%. So, I think we should correct that that is very important point.

Deepak Tiwari: And sir, then, now that rationalization is happening and from year-on-year perspective we are almost seeing flat to slightly downfall. So for full year what kind of footfalls you expect?

Kapil Bagla: I am still hopeful despite what has happened in the first quarter because first quarter was base effect of the last Q1 because the effect of the discounted price was seen maximum in Q1.

Deepak Tiwari: But sir, Q1 is also your best quarter so, that is why you know...

Kapil Bagla: No, it is too ground in terms of number and revenue let us count both at this point in time, I would still be quite optimistic about Q3 and Q4 in this season as well and at least our internal target is to grow footfall by 7% to 10% and in fact, targets an overall revenue growth of (+20%).

Deepak Tiwari: Right, sir. And sir, just one data point question, if you can give the F&B revenue excluding the hotel?

Kapil Bagla: I think there are some changes that we probably be uploading it in our presentation some of the new slides once all the questions we get in this analyst call.

Moderator: Thank you very much. We have the next question from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

Ajay Thakur: Just want to check on the hotel rooms. How many of them are operational now and now what is the plan on opening of the full operationability of hotel rooms?

Kapil Bagla: Okay. So, at present 116 rooms are operational, okay. 80% of the balance rooms are completed and the interiors are almost completed. We are as of now we have applied for the operating permission, there is a process of licensing and operating permissions to multiple levels in the government, there is a local permission and then there is a MPCB permission and there are host of permissions that are required for operating the hotel. I am quite hopeful that if



everything goes all right in Q2 we should be able to get the permissions to operate the balance rooms.

Ajay Thakur: Okay. And just to check if GST comes through what kind of benefit can we expect because of that or will it be kind of adverse for us?

Kapil Bagla: For additional rooms?

Ajay Thakur: No, the overall actually because GST come through I believe there would be some kind of benefit we will be having?

Kapil Bagla: As far as for my knowledge goes that effectively there will be a positive benefit for us because it all depends on the split that is decided between the state GST and the central GST. So, if next year the entertainment component is subsumed in the state GST then our effective impacts on the central GST which is Service Tax would effectively come down by at least 2%-3%.

Moderator: Thank you very much. We have the next question from the line of Abhinav Damani from Damani Financial Services. Please go ahead.

Abhinav Damani: Yeah, I just want to know in the latest presentation it is mentioned that your contributions from the non-catchment contribute about 40% of the revenue of the footfall. So, going forward do you think that could be a problem with this? Do you think there would be slow down in your main catchment area because the holiday seasons do not last for too long so that is why, what do you think would be going forward the main footfall coming from?

Kapil Bagla: No, I do not see a situation; let us say we talk a longer-term view. I think in the longer-term view it is always better that our contribution to non-catchment actually increase and that is what our target has been. We do not just want to depend on catchment area we are calling our self as all India destination. So more and more people coming from non-catchment area is always good for us and I think our efforts are being made to increase footfalls from the non-catchment area. So that is point number one. The non-catchment area also includes the large part of Gujarat which is close to out of the 40% close to 20%-22% of the footfalls are from Gujarat. I actually start counting Gujarat as my catchment area now not a non-catchment area and focus on rest of India for growth actually speaking. So, I think the balance for the next two years would probably remain or hover around this ratio which is 55%-45%, 60%-40% between catchment and non-catchment. And this actually keeps on changing from seasonality. So Q1 become holiday season, non-catchment contribution is more. Q3 because of holiday season non-catchment is more. Q2, the catchment contribution should be more.

Moderator: Thank you very much. We have the next question from the line of Abhilash Pariwal who is a Retail Investor. Please go ahead, sir.



Abhilash Pariwal: My specific question is around the real estate monetization. Is there a ballpark that you can give us specifically in terms of given the 88 odd acres that you got approval for and targeting a specific FSI and certain realization per square foot that you are actually seeing for projects around your park, right? What is the total realizable value from this 88 odd acres of development that is the first part of the question? And second part of the question is, do you see some small reduction in debt directionally by the end of this year some money that you will see that was kind of flow in as a sign up amount so on and so forth, right because even if there is a Rs. 100 crores reduction in debt that is a meaning Rs. 12 crores to Rs. 14 crores addition to the bottom-line, right?

Kapil Bagla: I think let us talk holistically about your first question in terms of the potential that we see and when I see potential I would probably count not just the 88 acres because the other balance land is also under process and probably we will see permission coming through for that as well. And we did some feasibility studies from our master planning guys and as well as JLL who did some of our feasibility reports and all the market study. So, on a 170 acres of land that we have surplus there is a development potential of about 5 million square foot to 6 million square foot and the rate going around in that region is current rate and some of the large projects that are happening around in this region is of Rs. 5,000 to Rs. 6,000 per square foot that is the sellable FSI. And saying if let us say a land FSI contribution to the sellable FSI is 15% to 20% we still feel that on a Rs. 6,000 sellable FSI, Rs. 1,200 to Rs. 1,500 contribution towards land FSI could come. So potentially on a 5 million to 6 million development over the period of time there is probability of Rs. 500 crores to Rs. 600 crores of revenue from this arrangement and that is the holistic figure and that is what is our kind of long-term plan that we can right now talk about it.

As far as your specific question is concerned regarding the debt reduction, yes, there would definitely be some element of upfront payment that is there but at this point in time we are in discussions. I really do not know what could that value be. But I can only assure you that any upfront payment or any payment that we feel for land exploitation will only be used for debt reduction.

Moderator: Thank you very much. We have the next question from the line of Amrut Kalantri, who is an Investor. Please go ahead.

Amrut Kalantri: I wanted to just know what is the total capacity of our parks, I think we did 1.5 million footfalls last year what is the total capacity?

Kapil Bagla: Total capacity annualized is about 7 million and we have added the Snow Park now which is adding another close to about 100,000 to the park so, about 8 million is the total capacity.

Amrut Kalantri: Okay. So basically just around 20% utilization?



- Kapil Bagla:** Yeah, it does not get calculated like that on average basis because it is a fluctuating capacity, so you see some peak capacities on peak days typically. You may see days of 60%-70% capacity utilization.
- Amrut Kalantri:** Yeah, so what is the right way if you can guide us to look at it?
- Kapil Bagla:** So if you see on a basically stable parks with the history of five years - seven years - eight years of operation, on an average run it is around 40% to 50% occupancy level so that is probably what one can scale up think of scaling up to as far as the current capacity is concerned.
- Amrut Kalantri:** Okay. So basically 2x to 2.5x if you can take it broadly from current level so, when you think we can reach that stability stage?
- Kapil Bagla:** I think the way we are probably growing is a benchmark of 3 million to 3.5 million footfalls in the next three years or four years' time after the growth the initial ramp up and all the pricing gets stabilized.
- Amrut Kalantri:** Okay. Can you tell us like if someone is paying you Rs. 1,000 how is the total tax including State Taxes, Entertainment Tax, Service Tax everything. What is your total tax component on per ticket basis?
- Kapil Bagla:** Basically there is a component of Entertainment Tax of 15% but right now because of the government of Maharashtra Tourism Policy we are getting an exemption for payment of tax. So, that we do not pay. The other thing the Service Tax component of 15% which we are now adding to the ticket so, that is the customer which pays. So technically if a guy pays Rs. 1,000 plus he has to pay Rs. 1,000 plus Service Tax which is Rs. 150.
- Moderator:** Thank you very much. The next question is from the line of Mr. Prasad Padala. Please go ahead.
- Prasad Padala:** Sir, just one question, so the advertisement expenses seem to be restated like 4Q compare to the last results. So, can you explain what is the change?
- Kapil Bagla:** I think the adjustment is only because of IndAS all the discounted promotions. So all the discounts which we result on the gross debt is now netted off so, that is why it has got on the top-line as well as and the advertisement part.
- Moderator:** Thank you very much. The next question from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** Just one question, if I remember correctly in Q2 of last year there was a lot of disruption because of range on the Mumbai Pune Express Highway it is almost one month into the



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monsoon season. Any sort of recurring impact that you have seen and also if you could talk about in July and monsoon season tends to be seasonally weak, how the trends has been on a Y-o-Y basis, if you could just comment anything on that?

Kapil Bagla:

Yeah, see, obviously you have said rightly that Q2 is a weak quarter for us and I think that is why I told you in terms of price it becomes a seasonal product more to say. We are hopeful that will see no disruptions in this year at least right now but you are also seeing that the rain have been pretty severe in July this year in comparison to what we had in last July. So we still have a long way to go. I think in terms of realization and in terms of footfall, overall on a revenue and profitability basis we should see a better Q2 than comparable Q2 last year.

Amit Kumar:

Got it. Just a quick follow-up on the hotel. It seems it delayed quite a bit from I think you are looking at initially 4Q and now we are talking even 2Q I am not really sure and how sure you are that in the next two months it will come in? I am little bit surprised on the clearances part because I mean one wing of the hotel is already operational so, I would have thought that given the fact that it is just an extension which is sort of going to come in the clearances bit would be relatively easier. So anything specific that you want to call on that?

Kapil Bagla:

No, I wish that was the case, we have been after the authorities in terms of our clearances there have been host of expenses, I have told a lot of hotels are facing delays because of the change of systems particularly on approval which have to now get online uploaded and there has been a significant amount of delays that even the large chains are facing. What we are doing in the interim is covering. I mean the only good point about this is we were supposed to open in parts in terms of two parts. Now at least we are finishing the entire balance rooms and try to open it in one shot, this is only comment that I would like to make.

Amit Kumar:

Okay. Just one small point, in terms of the fixed cost of the hotel of the remaining two wings, think about 170 odd rooms - 180 odd rooms. So how much of that fixed cost you are carrying in to your current P&L?

Kapil Bagla:

See, basically the fixed cost are largely on account of man power and so I do not think we have recruited man power to that extent so, technically speaking apart from that, I do not think there is another fixed cost because all the other operating cost I mean you will actually see the common area operating cost to be rationalize when the new wings also come in account right now we are operating the common area fully, the lobby and everything is fully operational but is not kind of balanced it out among the room revenues for the balance rooms as well. So, there's no fixed cost carry that we are technically doing, because the only thing in the project is in the project phase, it is not yet capitalized.

Moderator:

Thank you very much. We have the next question from the line of Gaurav Jogani from Prabhudas Lilladher. Please go ahead.



- Gaurav Jogani:** Sir, now with the devised focus on increasing the ARPU and basically thereby increasing the overall revenue growth. What do you think would be sustainable I mean break-even footfall number that you are looking for going ahead?
- Kapil Bagla:** I told that our earlier estimates were about Rs. 19 lakhs but now with the revised strategy our estimate is about Rs. 16 lakhs.
- Gaurav Jogani:** Rs. 16 lakhs, so, that is basically come down by approximately 3...
- Kapil Bagla:** Yes.
- Gaurav Jogani:** And sir, so like how confident are we that regarding the footfalls going ahead like in the seasons coming ahead because we are actually one month now in the Q2 and with the rains the way they are, have you witnessed any disruptions in the footfalls like last year?
- Kapil Bagla:** I do not think there is any disruptions what happens is that when the rains are very sever, the disruptions only happen if people intent to go reduces, okay. Last time the depression due to the disruptions on the commuting point, because of the Expressway not functioning and stuff like that. I am told and when I see and the inform is that, that problem this kind of fixed in the last few months so, we are quite hopeful that with the August season which where there are multiple holidays coming in and long weekend coming in. We should be able to do better than last Q2 definitely.
- Gaurav Jogani:** And sir, like we have also embarked like apart from Maharashtra and Gujarat, we have also targeted new Tier-II cities so, how has been the trend of footfalls from those areas like how has been the reception from those areas.
- Kapil Bagla:** So I think from the reception particularly from north area which is Delhi, Chandigarh, which is MP, which is Rajasthan has been pretty good, also Hyderabad it has been wherever we have operated our sales network and stuff like that. Just to give you some sense on the percentage contribution in last year in this season our contribution in these places was about 3% to the footfalls probably this time it is about 6% it almost doubled. Our contribution from the agents from these regions is also doubled. So we are very-very focused. Now in this year we have also tied-up with a number of online travel partners, like Yatra, like MakeMyTrip, and like EasyGo, all these companies are also selling Imagica packages along with the travel to Maharashtra. So I think the whole positioning that we are doing for our business is as a holiday destination. I think we will continue with our non-catchment strategy with a lot of focus in the balance year as well.
- Gaurav Jogani:** And sir, one last question from my end, that the ad spends now like what is our target for full year like what is the number that we are looking for in the ad spends?



Kapil Bagla: See I think what we are doing is that we have done some structural changes in the add spends so what we have done is that we have consolidated the brand into a single brand, okay which naturally leads to some reduction of ad spends. I am sure, we are seeing those results happening in Q1 in terms of our overall spends and I think in the next few quarters we will see much more rational spend. So, effectively on an absolute term also, and definitely as a percentage to sale but also on absolute term we should see some reduction in my advertising and marketing P&L for the full year FY'17.

Gaurav Jogani: So like any number you would like to call out or something like that? Sir, on an overall number like on the absolute number would it be less than last year?

Kapil Bagla: It will be less than last year that is definitely.

Moderator: Thank you very much. We have the next question from the line of Abhilash Pariwal, who is a Retail Investor. Please go ahead.

Abhilash Pariwal: I have a few small housekeeping questions, what is your forecast on ARPU growth and footfalls growth for FY'17?

Kapil Bagla: I think as far as the ARPU growth is concerned, we have already seen a 20% growth, so I think we have to continue to maintain that growth, I do not want to do any price increases from now onwards at least so, let us continue with that growth over on a year-on-year basis. I mentioned for a footfall we are probably targeting 7% to 10% growth from the last year so, let us see where we get there.

Moderator: Thank you very much. We have the next question from the line of Deepak Tiwari from SBI Securities. Please go ahead.

Deepak Tiwari: Yeah, sir, just wanted to one question that like your Theme Park capacity is around 15,000 per day, so just wanted to understand that each of the rides would be having this kind of capacity or what would the like popular rides what will be the peak capacity of the popular rides?

Kapil Bagla: So never, the rides capacity never calculated on per ride basis. It is calculated on a per hour throughput across the ride. So our maximum capacity in a single ride would probably be 7,000 per hour to 8,000 per day.

Deepak Tiwari: Per day, right. So even like the popular ad that you have like I for India and Mr. India they would be having also these kind of capacity or they will be having a lower capacity?

Kapil Bagla: The show rides are having a little lesser capacity and for example, the mechanical rides like the Nitro and all have much larger capacity.

Deepak Tiwari: Right. So any idea like would it be less than 5,000 kind of per day?



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- Kapil Bagla:** I think there is no ride which is less than 5,000 per day capacity.
- Moderator:** Thank you very much. We do not have any further question, sir. In case the management has any closing comments?
- Kapil Bagla:** I think, I just want to leave with a thought that this is the business where we are also learning and experimenting as we are growing and envisaging and I think people should keep in mind that as far as Theme Park business is concerned, we are trying to create some kind of a Theme Park going proposition amongst the minds of Indian which is yet not existing. Not only is an exercise of increasing businesses, it is also a much larger exercise of creating a market for Theme Park. I think our effort to educate potential yes, the benefits of going to a Theme Park the enjoyment benefits, the get together benefits, the benefits of staying with family, these are all the values that we are liking, we are wanting add as a lifestyle. As and when the Indian population, the aspirational population which is young and spending is seeing this proposition whoever is the experiencing the product is kind of feeling very happy and they feel that they have got the full value and the money is worth once they come to Imagica. More and more people experience the park and the word of mouth spreads. I think our potential of business will keep on increasing. I think yes, it is a path of a little bit of gestation. We have seen historically that three years typically it takes for any new park in a new place to at least establish the proposition of Theme Park going as such in the life style of people. We have I think travelled over that hump and I possibly see that in years to come, the propensity of people to want to experience. The Imagica experience would only grow. So this is a thought that I wanted to leave our investors with and our analyst. Thank you.
- Moderator:** Thank you very much. On behalf of Adlabs Entertainment Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.