"Adlabs Entertainment Limited Q3 FY 2017 Earnings Conference Call"

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Coming to EBITDA:

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

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

Coming to the performance of the hotel:

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

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

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

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

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

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

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

Coming to the interest cost:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Danish Mistry: Just one clarification before we get into the questions. You mentioned that basically you lost about 20% footfalls because of the whole demonetization event. So, if I were to just plug that into our Theme Park and Water Park footfalls and this multiplied by the ARPU. So, is it fair to say that we loss about Rs. 10 crores revenue?

Kapil Bagla: Yes, in our mind we lost about Rs. 8 crores to Rs. 10 crores of revenue.

Danish Mistry: Okay. Thank you, sir. And that would have all shown down to EBITDA?

Kapil Bagla: Yes, obviously because first-half is fixed in nature.

Danish Mistry: Okay. So, secondly, in terms of you mentioned that you had a change in pricing strategy and you are working on this "Happy Tuesday" and "Wat-a-Wednesday" again. So, just to confirm over here, you are looking at a situation where Q2, Q4 would be the value period and Q1, Q3 would be the full price periods?

Kapil Bagla: Yes, that is what the general plan for the sales and marketing is. So, as I told you, that what happens in our business is that during season time actually the business becomes very non-discretionary in nature it is better to exploit maximum realization during that period which is why a flexibility of pricing is what is being proposed.

Danish Mistry: Got it. And will these value plans include the Service Tax or exclude it?

Kapil Bagla: No, all our businesses are excluding Service Tax, so it will all be plus Service Tax or GST as and when it comes in.

Danish Mistry: Fair enough. And you also mentioned on about two points, one is that you are looking at an interest rate revision from 12.5% to 11%. So, how confident are we to get it and what are the steps that we are doing to kind of get that benefit?

Kapil Bagla: I think, we are very-very confident as we speak, from our consortium a couple of banks including the lead bank has already approved this change. So, it is just a matter of process that we will have to follow. We are hopeful that by March end this should be a reality.

Danish Mistry: Okay. In terms of how have the footfalls been in January since, you were saying that December onwards it has been kind of recover

Kapil Bagla: I think on a month-on-month basis we are in line with our current year trend. Nothing drastic okay, means there is no dramatic and nothing negative so, as far as the demonetization bit is concerned, I think that effect is probably in the past. So, we have not seen any lag because of that.

Danish Mistry: All right. And in terms of costs you guided, this quarter also you have done about Rs. 8 crores of cost savings which you have done mainly on the fixed cost side. But do you think, you need to actually incur more cost to grow the business at any point of time because I see, you even cut advertising and marketing expenses.

Kapil Bagla: When you say cut, we have to also see it progressively on a year-on-year basis, okay. A couple of first initial two years, three years we have been spending on creating the brand. Once the brand becomes visible the actual absolute spend on marketing and the efficiencies that you can draw with the same amount of dollar spend on marketing is much greater, so we are not cutting down anything. In fact, what you will see during Q1, as we approach the busy season for the next year itself, you will see this seasonal spurts in marketing across. We are a consumer business, marketing will be the main stake of our business expansion and growth.

Danish Mistry: All right. You mentioned that also on the hotel room side that you were hopefully going to operationalize it in Q4.

Kapil Bagla: In Q4, yes.

Danish Mistry: Have you started taking bookings for those or you are looking forward at once only you get the certificate in.

Kapil Bagla: So, soft bookings we have started taking for Q1 actually speaking which is largely large number of groups or weddings, because wedding planners do an advance planning of sorts and we have not gone all out so, to say because sometimes the permissions are I mean just man proposes and god disposes type of situation. So, we are just trying to take it a little easy but as far as I see from the ground, I do not see any hurdle so, it is a procedural issue whatever time it is taking but it should come through in Q4.

Moderator: Thank you. Next question is from the line of Umang Parekh from Manali Trading. Please go ahead.

Umang Parekh: I just had one clarification and two questions. So, regarding the clarification, so the value also will be existing only in Q2 and Q4 or will it be there throughout the year? And regarding the questions, why are we only expanding four rides to five rides over the next two years to three years, is there a possibility of being more aggressive on it, given that we already have a loyal customer base and it is very well known in the catchment area. So, is that something that the company is looking forward to do quite aggressively to add more or will this be the current pace at which we grow?

Kapil Bagla: Okay. So, let us take your first question which is pricing in terms of low seasons and high seasons. As I have clarified that high seasons which is getting as much revenue and as much realization as possible, low season is that we experiment in various promotions. So, if you see and if you go into the detail of how we have introduced this time a "Happy Tuesday" or a "Wat-a-Wednesday" it is a for a limited quota, we only get these many tickets available, it is not open throughout for everybody. So, there is a progressive incremental pricing that keeps on going up as the demand increases. So, it is not a flat pricing so to say. So, we will continue to do these promotional strategies around the year. But more focus would be during the softer quarters and in the busy quarters we would like to maximize realizations. And the second question was about adding rides and adding few things. I think, we are doing a lot in terms of adding new avenues to the park. For example, this year we added the Snow Park which is a large attraction so to say. So, instead of just focusing one ride here and there, we are focusing on adding new stuff. For example, the virtual roller coaster will be a completely new experience, so it actually gives a much larger value addition with a very limited CAPEX, okay. Going forward you will see some more announcements or some very unique concept that we will be bringing in so to say which will provide limited investments from our side because our brand is already created but a reason for customers to come back to Imagica.

Umang Parekh: Okay. So these new rides that come up will be unique and will be on the technological side like something new experience.

Kapil Bagla: More on the experiential and technological side. We will think of doing an addition to our Water Park in FY 2018 we should be adding a few rides but those are not very costly because those are add-ons to our existing rides as well but little expand capacity on that.

Umang Parekh: Okay. And just one final question so, regarding the rationalization of operational cost over this quarter. Just want to know how much further will these costs be reducing because we are constantly working on reducing cost so, how much more can we expect in the coming quarters?

Kapil Bagla: I think, our first plan was to have an annualized number of about Rs. 35 crores, Rs. 40 crores per annum. So, we started this exercise in Q2 so, that is two quarters. So probably in the next two quarters you will see this happening at least.

Umang Parekh: Okay. And then after that will we see it on a yearly basis as well?

Kapil Bagla: It will remain at that level and then probably it will only increase inflationary.

Moderator: Thank you. Next question is from the line of Nidhi B. from Dalal & Broacha. Please go ahead.

Kunal: Hi, sir, Kunal here. Just had one question. Sir, if you could let you know what is your CAPEX in terms of the JV which you are forming with Rustomjee and at the moment we stand at about Rs. 1,000 crores debt. So, is there any addition which is going to happen in case of debt part? And you mentioned that we have the payments which are going to get due so, if you could just give a brief on the same?

Kapil Bagla: So, as far as the JV with Rustomjee is concerned, there is no CAPEX from our side which is why it is a joint development. So, we contribute the land to the joint development and they contribute the development expenses and CAPEX and which is why we share revenues. No, incremental CAPEX to that extent. As far as the debt of the company is concerned as of now, we feel that the debt is stable and except for some of the existing CAPEX which has already been incurred which is on the hotel and on some of the little bit of expansion that we are doing, I do not see a material addition to this debt in this next financial year. The payments are actually schedule from FY 2019 onwards so, by that time I think with the growth that we are expecting in FY 2018 we should be sufficiently on track and with the new extra cash flows getting in during that time because of land monetization, I think we are reasonably buffered to take care of our cash flows.

Kunal: Okay. So, from here on what are the maximum limit of debt you are seeing for your normal expansion and the regular CAPEX or the maintenance CAPEX?

Kapil Bagla: See, maintenance is not a CAPEX it is a revenue item for us, okay? It is written off in the P&L basically. As far as the businesses are concerned it is a little bit dynamic, but if you want to ask a number, at least we are not envisaging anything more than Rs. 40 crores, Rs. 50 crore coming in at the maximum side.

Kunal: Okay, fine, sir. And just one final question, any plans on reducing the pledge shares which we have on the promoter side?

Kapil Bagla: See, for a project like this for various reasons and it is a long-term gestation project, there is a strategy pledge of shares that are required for various lenders and investors so, I mean progressively as and when our liability of debt goes out, these pledge shares can be considered to reduce that is the way it happens in most of the large CAPEX projects.

Kunal: So, but any plan or strategy in place for the next one year, two-year period any thought process on the same?

Kapil Bagla: See, unless you do a dilution, okay and kind of reduce your debt typically, or expand equity, the pledge of share is a process which is **statutory** in nature. So, I mean we have never thought in that line, we are saying that the promoters have invested into this business whether the shares are with them or pledged with the lenders how does it matter?

Kunal: So, but is there any thought process of dilution?

Kapil Bagla: No, as of now none.

Moderator: Thank you. Next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: You said that you are expecting debt interest rate reduction of 1.5% from March onwards. So, entire portfolio will get restructured or what is the amount we can expect to get re-priced?

Mayuresh Kore: Basically we are in line with the trend in the drop of MCLR and base rates across all banks over the last four-five months, that we have seen. The company is going to enjoy this benefit from the base rate changes and also the consortium already has in principle agreed for spread reduction. The combine of this effect, will get the ROIs reduction to 11% odd levels and this is what we are reasonably confident of getting in the next couple of months, Some of our lenders have already approved last week, I am sure we should further it with the remaining lenders.

Kapil Bagla: And this will be on the entire debt, it is not on specific.

Vipul Shah: Okay. So, entire portfolio will get re-priced?

Kapil Bagla: Entire portfolio will get re-priced.

Vipul Shah: And sir, can you share more specific details of your JV with Rustomjee means what is your share, what are the development plans, if you can share some few details?

Kapil Bagla: See, while the MoU with the Rustomjee has been signed, the business plan has been worked out by them. So, in terms of what are the effective revenue plan over the next five years, seven, years and what could be our exact cash flows I think, as we are making the development plan of the area and the business plan, more numbers will get crystallized, but as far as the percentage of revenue share is concerned, it should be anywhere in the range of about 18% to 20% of the gross revenue that one would get from this deal in the whole development plan.

Vipul Shah: 18% to 20% of gross revenue and you are offering 170 acres of land to them.

Kapil Bagla: 170 acres is surplus. For the first phase the JV is for 88 acres with them.

Vipul Shah: Okay. And sir, one clarification, the second phase of Novotel is likely to be operational by when? I missed that point.

Kapil Bagla: Now, the permission period is going on, the build and construction everything is complete. So, I think we are hopeful to get this permission and should be operational in Q4.

Vipul Shah: Q4, okay. So, before March you expect it to…

Kapil Bagla: Before March, before the season hopefully.

Vipul Shah: And sir, where do you see percentage of this, in your entire revenue mix what should be the ticketing revenue and non-ticketing revenues four years down the line?

Kapil Bagla: Our hope is that, the current trend which is about 28% to 30% non-ticketing versus ticketing. We are hopeful that we should reach into the region of 35%, 38% in the next three-four years. We are talking three to four years perspective or even 40%.

Moderator: Thank you. Next question is from the line of Uday Shah from Saif Partners. Please go ahead.

Uday Shah: Are we looking to add-on other Theme Parks in other locations?

Kapil Bagla: See, as far as the broader business plan of the company is concerned, we are looking at geographical expansion. So, we are looking at, North India is one of our option and South India is one of the options. The northern territory is in the region of Delhi and NCR and the southern is probably either Bangalore or Hyderabad that is what is there. But as far as our priority is concerned, we are more keen to look towards North India which is Delhi and NCR which is where our discussions and potential development what we can do is going on. So, yes, as we see holistically we are looking at expansions geographically but till the North India around Delhi and NCR.

Uday Shah: Can we see anything coming up in next three years?

Kapil Bagla: Three years definitely.

Moderator: Thank you. Next question is from the line of Swati Biyani from Resurgence Stock Broking. Please go ahead.

Swati Biyani: My question is answered, it was on the update on the exploring the Theme Parks in North India and Hyderabad.

Kapil Bagla: Thank you.

Swati Biyani: Right now there is no updates regarding any such development, right?

Kapil Bagla: Yes, I can only tell you that we are looking at North India first then South India.

Moderator: Next question is from the line of Vimal Sampat, who is an Individual Investor. Please go ahead.

Vimal Sampat: On the coming Theme Parks, so will we be investing money because in your presentation you have said exploring option in Delhi and NCR and exploring Theme Park project through a JV model.

Kapil Bagla: Yes, so it will be through a JV model wherein we are trying to be as CAPEX light as possible including partnership for land, including partnership for sharing our IP and franchise. So, there are multiple options being employed when we will unveil the plan you will see a very light CAPEX model for our expansion in Delhi.

Vimal Sampat: Right. And second question is on the merchandizing. Now there is a big potential for milking this, I feel we can do much more on this. What are our plans for this sir?

Kapil Bagla: Definitely. See, one good thing is there, the way that we have structured our business is that the IP all our themes, all our characters are owned by us that means we are not licensing anything from anybody which goes out at a lot of cost.

Vimal Sampat: Loyalty commission or something.

Kapil Bagla: Yes, so we are not paying anything actually speaking. As and when our characters are becoming popular, we are intending to license our characters out to people. So, the expansion in merchandizing business will be in two-folds. One of course will be in the park itself adding new lines, new products to our portfolio and the second is an offline expansion which is off park expansion that is either through online sales through our website and other partner website in fact you will be pleased to know that Imagica merchandizing are available on other websites like Flipkart, Amazon, Myntra, Jabong, so we are going online for merchandizing out of park basically. At some point in time to create some experiential zone in some of the city centers as a marketing and as a tool for attracting customers including our merchandizing product portfolio in future years.

Vimal Sampat: Okay, sir. And one more thing, see, as a ball park, a park which is similar to us, international park of course, we cannot talk about Disney per se but as that, what is the revenue for merchandize, what is the share compared to ticketing?

Kapil Bagla: I am just saying, very mature park, okay and you yourself said exclude Disney. Disney obviously because of its legacy of characters and all these things they do about 35% to 40% of their revenues which are from merchandizing, they do about 20%, 25% which is food and they do ticketing only 40%, 45% that is the kind of break-up. In our case the contribution from merchandizing and retail is about 10%, 11% right now to our revenues which to start with I think it is a very-very decent contribution. If we are able to build this to about 15% on our way towards non-ticketing revenue of 35%, 40% in the next two years to three years, I think it will be a good achievement and I see no reason with the amount of products that we have and the way we are doing merchandizing in the past we should not get there.

Moderator: Thank you. Next question is a follow-up question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: What is the discount you offer to wholesale booking like college booking as compared to walk-in customers?

Kapil Bagla: There are different structures for different segment of the customers. For example, the college booking is normally in terms of bulk because they are price conscious in nature and they largely happen on weekdays and roughly discount rate is around 30%. Similarly, the group's discount is based on the size of the group, what are the value additions that you are doing in terms of food and other combination. So, effective discounting was in the region of 15% to 20% or in overall basis.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for any closing comments. Over to you.

Kapil Bagla: Thank you very much. I think, as I had pointed out earlier, in terms of our business growth and our strategy for 2018 the management philosophy is to keep on improving our margins, our profitability and efficiency which is point number one. Point number two is that we understand that there is debt situation in our balance sheet, so our efforts are constantly working on the balance sheet side for incremental cash flows which can deleverage the balance sheet of the company and those efforts whether you call it interest rate reduction or in the form of monetization of surplus assets. I think that will be also the focus of 2018. I think, as far as the business of the company is concerned with the brand Imagica now, and the entire product portfolio fully operational you will see our marketing efforts to be targeted not just in the catchment areas. But you will see our efforts of marketing to be targeted in many of the non-catchment areas because we feel that inbound tourism and domestic tourism is the key to success of our businesses. So, I think this will be probably the main theme of year onwards for 2018. Thank you very much for your time.

Mayuresh Kore: Thank you, everybody.

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