“Adlabs Entertainment Limited Q3 FY-18 Earnings Conference Call”

February 09, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Kunal Parekh: Yes. I have.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Darshan Parekh: When will you be PAT breakeven?

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

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

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

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

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

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

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

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

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

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

Dhimant Bakshi: Two people.

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

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

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

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

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