



“Adlabs Entertainment Limited
Q4 FY 2018 Earnings Conference Call

May 18, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Adlabs Entertainment Limited Q4 FY2018 Earnings Conference Call. This Conference Call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhimant Bakshi the Joint CEO of Adlabs Entertainment Limited. Thank you and over to you Mr. Bakshi!

Dhimant Bakshi: Thank you very much. A very good afternoon everyone. Thank you for joining the conference call for Q4 FY2018 results of Adlabs Entertainment Limited. I am very glad to inform you that this is the highest ever Q4 and full year footfall for Imagica since inception. Imagica has been living the belief of proving world-class experience with Indian-ness in content, hospitality, and pricing. It contains hospitality and pricing essentially to provide best in class entertainment for delightful memories in a clean, safe and happy environment.

Let me now begin with the FY2018 performance. The year saw a very strong growth in footfall in parks from Rs.15.44 lakhs to Rs.17.23 lakhs this year. This combines Theme Park as well as waterfalls and the overall footfall grew by 14%. With this we are pleased to hear that Imagica has crossed 6.5 million visitors in a span of just five years. Currently, we have penetrated only 16% of our primary catchment. Our objective is to comb the market further thus increasing footfalls at a faster rate simultaneously tapping repeat visitation through various exciting offerings.

The total revenues for FY2018 is that Rs.236.29 Crores, which where the breakup is parked at Rs.201.27 Crores total at Rs.35.01 Crores. This is against Rs.238.99 Crores last year where the breakup was parks business at Rs.204.93 Crores and hotel at Rs.34.05 Crores. This is of course without the GST different component of Rs.10.46 Crores, which the company absorbed, which we should be getting refunded back from the state government.

The real movement is in the EBITDA this year, which for FY2018 stands at Rs.62.67 Crores versus Rs.60.85 Crores registering a growth of 3% over last year. This of course is without the SGST refund of Rs.10.46 Crores where we clearly would see an increase of Rs.10.46 Crores and thus it will reach to Rs.73.13 Crores amounting to 20.2% of growth compared to last year, so effectively this would give us a margin yield of close to around 29%.

The Q4 footfall increased by 6% on YOY basis from Rs.3.97 lakhs to Rs.4.21 lakhs. The total revenues were at Rs.50.83 Crores where parks contributed Rs.43.22 Crores and hotel at Rs.7.61 Crores vis-à-vis Rs.55.66 Crores last year where parks contributed Rs.46.32 Crores and hotel at Rs.9.34 Crores. This is however without the SGST refund component of Rs.2.73 Crores for the



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quarter. EBITDA for Q4 stands at Rs.12.62 Crores versus Rs.11.82 Crores registering a growth of 7% over last year. Consequently, the EBITDA margins have also improved to 24.84% from 21.3% in the corresponding period in the previous years. This again being without GST refund of Rs.2.73 Crores therefore EBITDA is likely to improve by 30%, which of course is a significant move up.

Some of the key highlights in developments that we have undertaken in Q4 this year, so there has been a continued footfall growth that we have seen. This quarter saw a growth of 6%, which is primarily due to several initiatives that have been taken by the team at Imagica as a part of its long-term strategy. The holi bash again continued to be a successful event this year and we have yet again been successful in delivering a fantastic experience for our guests.

On pricing and ARPU we did see a drop of 8%, which again was due to the SGST component otherwise ARPU would have been more or less flat. The decrease in ticketing revenues is largely negated by the increase in the non-ticketing revenues, which grew by 11%. The share of non-ticketing revenues increased to 42% of overall revenues in this quarter from 35% last year. This has been a very conscious strategy to drive non-ticketing business as a part of propelling consumption through footfall multiplier effect that we have been pursuing. Apart from this management has taken several cost consciousness initiatives on running the operations in a better way.

This quarter, we are pleased to inform you that we achieved 13% cost reduction as a continued exercise largely from the employee cost and marketing and sales expenses. Since FY2017 we have been making continuous efforts to optimize the operating cost of the parks business through senior management teams taking larger responsibility in the form of additional portfolios and on marketing front medium selections and better partnerships have reduced spends and thus the acquisition cost has been reduced as well. We have overall achieved 20% reduction in the operating cost this quarter.

In FY2018 as a whole we have achieved 2.5% of cost improvement through some of these efforts. We will continue our efforts for optimizing cost in the next year as well and maintain the rigour of title operations.

On Novotel Imagica in Q4, Novotel Imagica improved its overall ARR by 6% to Rs.11458 including F&B where room contributed Rs.6457 and F&B around Rs.5001. We saw a good demand from Corporate and MICE segments as well as social segments in this quarter; however, revenue dropped this quarter largely due to balance rooms approvals, which did not come through, which was expected in this quarter and therefore we had to let go of some of the large group bookings and events.

We are very happy to share that Adlabs Entertainment Limited has been announced winners of the Adventure Attraction Sectors Category for simulating excellence in the Indian travel industry



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at the VFS global times travel awards by Economic Times. These are very prestigious awards. We have also been awarded preferred Theme Park Destination by Times Retail Icon awards 2018.

Moving forward on reflecting on the strategy for 2018, as well as the way forward for 2019 at the outset of FY2018 Company strategy of focusing on footfalls and thus drive consumption coupled with measures to improve EBITDA through various initiatives had worked well. In FY2019 we will continue to remain steadfast and further strengthen the approach on this path. With additional initiatives and new products that we would be launching, we would continue to improve footfalls and the revenues screens therefore eventually improving EBITDA margins for the business.

Our partnership of zero capex with partners like snow parks are working very well and to strengthen this offering as discussed last time, we have already soft launched House of Stars as a concept, which is India's first official Bollywood inspired 3D character museum. It essentially covers the timeline of Bollywood and gets guests to experience the sets of iconic Bollywood movie scenes and relives the character at a very attractive price of Rs.349. Further to House of Stars, we are adding two more concepts, which are already operational with us.

Additionally, first phase of Chhota Bheem alliance where integration in Imagica parade and merchandise sales have become operational this April and in the last week of May, Chhota Bheem the ride will be launched in the theme park where guests will be able to first time in India enjoy a completely character integrated roller coaster ride, which will be available starting fourth week of May. As you would know the Chhota Bheem character is highly popular among the Indian kids and we expect strong footfalls contribution and in the retail revenues from this alliance.

Major focus area in FY2019 is to make our balance sheet lighter. Last quarter we announced divestment of our non-core assets to reduce our debt levels. We have already signed term sheets to sell our hotels for consideration of Rs.212.5 Crores and surplus land of Rs.203 acres for Rs.150 Crores.

With this divestment we would be able to reduce almost 30% of our debt. We have presented our plans to our lenders and awaiting relevant approvals. Post the debt reduction debt would be at more manageable levels and the company is making rigorous efforts for the same.

I would now hand over to our CFO, Mr. Mayuresh Kore to discuss the financials in details. Thank you very much.

Mayuresh Kore:

Thanks Dhimant and good evening everyone. I will now talk about detailed results for Q4 FY2018. Coming to the details of footfall and ARPU, the footfalls achieved for Q4 FY2018 are Rs.4.22 lakhs vis-à-vis Rs.3.98 lakhs for Q4 FY2017. The breakup being as follows; Theme Park



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Rs.1.99 lakh, Water Parks Rs.1.13 lakhs and Snow Parks Rs.1.49 lakh. The theme park and water park revenues combined stand at Rs.42.48 Crores, for the hotel at Rs.7.61 Crores, and Snow Park at Rs.0.74 Crores and thus total revenues for Q4 stand at Rs.50.83 Crores.

The revenues for the 12-month ended March 2018 thus stand at Rs.236.29 Crores as compared to Rs.238.99 Crores for the 12 months ended March 2017. The gross realizations per visitor for Q4 are as follows: The weighted average ARPU for the Theme Park and Water Park combined in Q4 FY2018 is Rs.1357 versus Rs.1477 in last year's Q4 a reduction of 8%.

Overall for FY2018 the weighted average ARPU for the Theme Park and Water Park combined is Rs.1422 versus Rs.1644 in FY2017 a reduction of 14%. The EBITDA for Q4 FY2018 is Rs.12.63 Crores versus an EBITDA of Rs.11.83 Crores in the previous quarter FY2017 an increase of 7%, which is commendable despite the revenue impact arising due to higher GST and other factors.

As you aware the management efforts this year was directed towards increasing footfall and improving margins. Accordingly, the EBITDA for the full year FY2018 is Rs.62.67 Crores versus EBITDA of Rs.60.85 Crores a growth of 3%. As Dhimant mentioned if one considers the GST refund amount the quarterly and the annual EBITDA amount would be higher by 30% and 20% respectively.

Coming to the hotel performance, the hotel is continuing with its strong performance and has thrown a capacity utilization of 68% for Q4 and an ARR of Rs.11458. The breakup of ARR is as follows; the room ARR is Rs.6457 and the F&B and other ARRs is Rs.5000; the total ARR being Rs.11458.

For the 12 months ended March 2018, the hotel occupancy was strong 76% and ARR corresponding including F&B was Rs.11078. As Dhimant mentioned, the cost initiatives that have been taken, so I will just elaborate the cost related highlights in the quarter: The overall Q4 operating costs including the hotel costs have declined by significant 13% compared to last year's Q4 from Rs.43.84 Crores to Rs.38.20 Crores. In this the cost related to employee benefits have reduced by an absolute amount of Rs.4.94 Crores, which is a 36% reduction resultant from strategic manpower rationalization.

The cost related to advertisement, marketing and sales have come down by an absolute amount of Rs.2.57 Crores a 21% reduction due to our continuous efforts in improving spend efficiencies. Notably the cost of acquisition per customer would have come down due to the efficiencies as well as the increase in the footfalls. The overall expenses pertaining to power, fuel and water could have been lower, but for a change in mix due to regulatory changes wherein minimal withdrawal from MSCD sale has been increased. The power, fuel and water costs therefore stand at Rs.3.82 Crores versus Rs.2.95 Crores; however, we are continuing to explore options for solar power to bring down the average cost per units for power.



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For the overall financial year FY2018, the operating cost including hotels have declined by 3% compared to last years from Rs.178.14 Crores to Rs.173.61 Crores in the current year. The average rate of interest on our borrowing is 11.4%. Accordingly, the finance cost for Q4 is Rs.30.87 Crores; the bank loans outstanding, as on March 31, 2018 is Rs.1023 Crores.

Some GST related updates, we may have updated in the previous quarter and we are happy to reiterate that after sustained representations from the company and the trade bodies, the GST council has finally reduced GST rates on park tickets from 28% to 18% with effect from January 27, 2018, so in this current quarter we had one month of the higher GST impact however the next financial year we should have the full benefit of the reduced GST.

An update on the matter of the GST refund component we would like to inform you that it is at a very advanced stage and is expected to be table forth the state cabinet in the coming few months.

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

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We take the first question from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah: Good evening Sir. My question is this GST refund will be one-time or it will be around Rs.2.5 Crores will be recurring every quarter?

Mayuresh Kore: This is a recurring income, so for the previous financial year since this was a 28% the SGST component was 14% and this will be recurring amount, which is 50% of the GST component that is the SGST share will be accruing for refund for Adlabs. Since it is a new mechanism that is why it has cumulated to such a large sum now. Going ahead we are awaiting the mechanism for the timing of it.

Vipul Shah: What will be the lag between quarter end and then the payment in terms of time and in terms of months?

Mayuresh Kore: Since this is the first time it is getting implemented so right now we have already accumulated Rs.10.46 Crores for the financial year FY2018, so we are expecting a three month lag between the actual quarter end to the receipt of the refund amount, so it will be kind of a working capital requirement, which will keep ongoing till the government improves any efficiency factors here.

Vipul Shah: Since GST is reduced from 28% to 18%, so should we build in instead of Rs.2.5 Crores from a figure of around Rs.1.75 Crores for the current quarter?

Mayuresh Kore: The current quarter Q4 it was Rs.2.73 Crores?



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- Vipul Shah:** From first quarter onwards?
- Mayuresh Kore:** Yes 50% of the 18% applicable rate on ticket sales will be due for refund, so it will vary from quarter-to-quarter.
- Vipul Shah:** Roughly what should be the figure we should pencil in considering the footfalls are the same?
- Dhimant Bakshi:** Example for Q3 we had Rs.5.22 Crores, which was accrued as the GST refund credit whereas Q4 is at Rs.2.7 Crores, this is primarily due to the nature of the business right, so Rs.5.22 Crores can be considered, which was at 14% becomes 9%, so technically you can take a cluster of around Rs.4.5 Crores of value for Q3 and for Q2 you can be at about Rs. 2.5 Crores not really at Rs. 1.75 as you said because part of the quarter was at 9% and a small portion of the quarter was at 14%.
- Mayuresh Kore:** To make it simpler just take it at 9% of ticket sales.
- Vipul Shah:** 9% of ticket sales and Sir my second question is we are seeing continuous decline in ARPUs for quite some time, so what is the reason for that and I would like to know the cash and net breakeven for the theme parks in terms of number of footfalls?
- Dhimant Bakshi:** The reduction in ARPU are caused due to two reasons. One is since we are not able to recognize the GST component, which goes out of our kitty, the reduction of 9% is clearly to the extent of what you would see in the ARPU straightaway and this gets coupled with the mix of the business, so when theme park and water park mix changes even by 4% to 5% there is an impact. As such there has really been no pricing change that we have made and in fact despite GST when it was a higher range, we retained our prices, but we passed on the benefit to the consumer in form of discount such as save GST, so we do not see ARPU softening really for theme park and water park business. In fact this is the least that now one can really expect. There will be new initiatives that will be coming in, but that would really not take away the ARPUs so that is what I can really say about the ARPU part of it.
- Vipul Shah:** If you strip out GST impact what you are trying to say is ARPUs are more or less flat?
- Dhimant Bakshi:** Yes Sir absolutely, so ARPUs are at the flat numbers only. There is really no reduction. If you add back the components and secondly the non-ticketing business per se has really taken a good upswing, so it kind of negate the total overall ARPU of the business, but on ticketing like you rightly said it is primarily the SGST component.
- Vipul Shah:** What is the cash and net breakeven in terms of number of footfalls if you can give?



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- Mayuresh Kore:** At current realizations, post the debt reduction we will have cash breakeven at 1.8 to 1.85 million footfalls. We will be achieving cash breakeven and if the asset sale happens sooner than later we will take 12 calendar months after that to achieve cash breakeven.
- Vipul Shah:** At our current footfalls if we can achieve this deleveraging then we should be able to cash breakeven in next year?
- Dhimant Bakshi:** Yes. That is really the major activity that the company has taken up because that is really the problem area that we are addressing.
- Mayuresh Kore:** Because as you aware from the asset sale we will be saving Rs.41 Crores of interest and of which the land component itself, which is not fetching any revenues as of now, so if that is taken out we stand a good position to achieve cash breakeven in the full financial year.
- Vipul Shah:** We do not seem to have any progress on assets sale at least till now, so what is the status for both the hotel and land sale?
- Dhimant Bakshi:** So actually there is a significant progress, but unfortunately till the time we do not get the NOCs from the lenders in our possession we cannot conclude the deal. There has been a advance level of conversation with the lenders and the papers actually have moved it to their committees, so we hope and expect that very soon we should have clarity on the NOCs, so really speaking all the approvals except lenders is available.
- Mayuresh Kore:** Practically because the consortium is large with 13 lenders and as you are aware most PSU banks having their own kind of constraints are taking time in processing, but we are making full efforts to expedite these approvals and to complete the asset sale.
- Vipul Shah:** Any new ride additions to increase the attractiveness of the theme park this year?
- Dhimant Bakshi:** We have already added Chhota Bheem as a ride, which will get fully functional in the fourth week of May, which is in this month itself, and we will also add House of Stars, which is a very unique Bollywood inspired attraction. These two are very good talk points for the business really and we will unveil the campaign very soon. For the House of Stars we have just started to campaign. Chhota Bheem campaign I am sure you would have seen already visible and it has started to draw interest and attention. We are sure that in Q3 and Q4 of this year, it would really help us in a big way, so these two are big attractions. Apart from that we have made certain changes within our premises to accommodate two more new concepts and we very soon would be coming up with a very attractive proposition for lean seasons and that you would see unveiling very soon.
- Vipul Shah:** Can we expect a significant increase in footfalls this year after the addition of Chhota Bheem?



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- Dhimant Bakshi:** Yes the way we have laid out our plans are keeping in mind some of these big talk points. We would like to maintain the runrate of growth on similar patterns as what we have achieved, so that itself coupled with the debt reduction, we think would take us really to the cash breakeven levels plus the efforts that are constantly happening in the park to increase and generate a better value proposition for customers continues to be our main goal at the business.
- Mayuresh Kore:** I like to add to that, with the growing footfalls and higher visitation, the chances of sponsorships and alliances are brighter in the current year. We have kept some aggressive targets for ourselves and that could be an added stream in the coming year.
- Vipul Shah:** Thank you and all the best for the future.
- Moderator:** Thank you. The next question is from the line of Kunal Parekh an Individual Investor. Please go ahead.
- Kunal Parekh:** A couple of questions. One of them was regarding the Shaan Agro deal where you have come up with a notification that lenders have refused to part their debt on their books, so it is like now Shaan Agro will pay Adlabs Rs.150 Crores and that will be paid to the lenders?
- Mayuresh Kore:** Yes you are right. Actually there were few lenders who cited technical constraints for the transfer of debt from one book to another, which there were precedence. Since it is a large consortium and to avoid any potential complications we requested Shaan Agro for a cash consideration of the same amount the commercials being unchanged and they have agreed for the same and upon receipt of the bank NOC for such sale, the transaction will conclude soon.
- Kunal Parekh:** Regarding the Novotel deal why are we not able to close that because that had no debt transfer? It was a straight cash deal where you were getting money from Mr. Damani, so what is the problem there?
- Mayuresh Kore:** On the Novotel transaction as well as the land transaction we have a consortium of 13 lenders whom we had presented both cases simultaneously i.e. both NOCs. As you aware in the banking system the entire process moves first with the leader and with everybody else in the same manner, so both of the request have been put together because we had targeted very significant debt reduction of 30%, 35% and banks were also partaking with their securities, so while they evaluated, did all the evaluations and diligences, both of them were combined and while we addressed the Shaan Agro technical issues in the interim both the proposals are moving simultaneously, so unfortunately it could not be isolated from each other because that is the way the banking system moves.
- Kunal Parekh:** We do not need any other permission from any government agency or corporation apart from lenders we have all other approvals?



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- Mayuresh Kore:** Yes we do not need any permission from the government as such.
- Kunal Parekh:** No in the sense, OC and everything we have got it now?
- Mayuresh Kore:** Yes we have got it for the hotel.
- Kunal Parekh:** Okay and the QIP raise that of Rs.200 Crores, so you might already be aware of the stock prices and the valuations, now this is a considerable ask and so you have not cited any valuation, it will dilute a lot of the current shareholding, so what are the thoughts on the valuation because we have been raising money for quite sometimes at lower valuations?
- Mayuresh Kore:** Yes couple of things. This is purely an enabling approval, which as a secretarial practice with we also took in beginning of the previous financial year, so there is no specific plan as of now at the current valuations to do anything, it is just facilitates your secretarial approvals as and when we are at a better valuation and with a firm plan. As of now apart from the Rs.50 Crores raise from Shaan Agro, which is part of the overall deal, we have taken a Rs.200 Crores approval last year for QIP, but we only did a preferential allotment of Rs.50 Crores last year apart from the warrants, which is to Times of India brand capital for the advertising and the market expenses we do. So this is just enabling and going forward obviously we will come with specific approvals at a better valuation hopefully.
- Kunal Parekh:** Okay, so in the next coming year you want to reduce debt by 35% or still further to more Rs.200 Crores, so what have you planned for debt reduction in all?
- Mayuresh Kore:** It is the same, because the commercials for both of the non-core assets sale remain the same, so the 30%, 35% debt reduction target, which we are well on course, I think there is no change there.
- Kunal Parekh:** In terms of the Chhota Bheem deal, how much are we paying like is it like the vendor deals, which we have done with Snow Park or the House of Stars because is it on the same line like revenue sharing?
- Dhimant Bakshi:** We are bound by the confidentiality agreement with them and therefore I would not be able to disclose that.
- Kunal Parekh:** Fine. I will get back to the queue.
- Moderator:** Thank you. The next question is from the line of Shruti Patel, an Individual Investor. Please go ahead.
- Shruti Patel:** Good evening Sir. My question is on the footfall, so you have grown the footfalls by about 6% this year, but if we see category wise Water Park has grown by 26%, Snow Park has grown by



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12%, this is for the quarter sorry, but the Theme Park has actually gone down by about 10% or 11% is that right?

Mayuresh Kore: No, the Theme Park footfall for the year are up 6%, the Water Park 26% and if we just average out both of these, it is 14% growth in Theme Park including Snow Park footfalls have grown 12% year-on-year.

Shruti Patel: Only Theme Park footfalls have grown by what percentage for the quarter?

Mayuresh Kore: 6% growth for the full financial year.

Shruti Patel: The other question I had is on this SGST refund. Now you have been saying that you are going to table it this month. I just wanted to understand if this is being disputed or are we going to receive this amount for sure and we are awaiting for the timeline to receive this amount. What is the possibility of this not coming because this in lieu of the entertainment tax that you have got waived?

Mayuresh Kore: Basically we have Adlabs Imagica being a mega tourism project declared by the Government of Maharashtra which enjoys a 100% entertainment tax holiday for the ten years which is there till 2024-2025. Since entertainment tax has got subsumed under GST and the centre collects and distributes the SGST share back to the state. So the entire 100% SGST component, which is basically in lieu of the E tax, has to come back to us. It is a new mechanism with the State Government and not only us, there are 20, 30 others who enjoys various exemptions in the previous regime. So the entire file is moving to from various departments of finance, revenue, treasury, industry and planning and finally the State Cabinet has to approve this. So we do not see any reason of being denied because this is one of the basis of the investment made by the promoters in the State of Maharashtra.

Shruti Patel: Understand, so it is only a timing issue?

Mayuresh Kore: It is only the timing and if there is any delay we may contemplate a legal action. Right now since we understand the GST concept, things are settling down and it is a rightful claim to it.

Shruti Patel: Right, Sir my other question is on the debt, so if I understand correct our repayment for debt was to start in June 2018 right?

Mayuresh Kore: Our principal repayment will start from July 2018

Shruti Patel: Given that we have got these deals on land and hotels have taken a little longer than we expected, what is our plan for debt repayment in case it will take longer?



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- Mayuresh Kore:** Yes, so what we have requested the bankers, since from our side we had already worked out the commercials for the sale of asset and applied to the bankers well in time. We have proposed that from the sale proceeds the immediate installments be recovered first, so basically the installments, which are there for the next two to three years will get taken care off. We have done this in the past from our IPO where we have prepaid immediate installments in advance and thereby giving further time for the business ramp up to happen. So we have requested lenders in the similar fashion and earlier they approve, I am sure the immediate installments will get taken care of and for the remaining debt then we can look at whatever refinancing options with a lighter balance sheet.
- Shruti Patel:** But Sir my question is in case these deals get delayed because we have to start it from June right and we are only a month-and-a-half apart, so if these deals get delayed then do we have a backup plan for this debt repayment or how does it work?
- Dhimant Bakshi:** We are meeting the bankers, in fact on Monday for the same subject and there would be clarity that we will have and accordingly we will have to plan. So one thing that we have clearly spoken to them and now the discussion with the consortium has gone to the highest level, wherein we have already flagged up the importance and the need to grant us the NOC at the earliest. I think we would be able to answer this question once we have clarity from the bankers themselves we can come back to you, but your question is very valid and apt and I must appreciate.
- Shruti Patel:** Thank you Sir and a while ago our debt was classified as SMA2 right for interest delays or something, so now all that is cleared?
- Mayuresh Kore:** The basic reason why we are selling of the non-core asset such as land where Rs.150 Crores of this debt reduction would save us about Rs.18 Crores, Rs.19 Crores of interest and same from the hotel. The idea was that whatever interest gap is there is reduced, so that the core business, which can sustain only a percentage of the debt. So till the asset sale happens there will be a strain on the interest payment. We have also requested the hotel buyers for advances where we could streamline this; however, all is hinging upon the bank NOCs now, the sooner they come, I think we will come back to a manageable debt level.
- Moderator:** Thank you. The next question is from the line of Manish Rawat, an Individual Investor. Please go ahead.
- Manish Rawat:** Good morning. My question is on the locational benefit that Adlabs has, as the A line traffic has increased dramatically, are we looking for the areas like beyond the primary and the secondary catchment that we have?
- Dhimant Bakshi:** Yes, of course, so as you know Imagica is a National Holiday destination and we do promote Imagica across the country depending on the seasonality, while of course, the inbound traffic and the primary catchment gets higher advertising visibility, catchments like Karnataka or Andhra



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where the Ugadi and the October season is higher or similarly in up north when December becomes a bigger month, we plan a campaign very strategically so that there is no spillover in terms of media spend. At the same time, we have to see their time availability apart from pure visitation needs, so we have to really think that and that is what we do. So of course our efforts are sustained and that is why we have partnership with companies such as MakeMyTrip or Jet Airways who are travel enabling format companies and that really works well. It is actually pride of India as an entertainment destination and that is something which we would like to keep promoting.

Manish Rawat: Thank you and my second question is that given that Adlabs is established as a brand of a Theme Park are we also looking to establish parks in other regions like NCR areas where the people generally do spend a lot of money on the entertainment.

Dhimant Bakshi: Yes of course as company we want to expand and you would have seen that in past we had announced the two potential locations that we had very seriously explored; however, we as a company took a pause to first make sure that we are debt light and we stabilize the current location and format and then expand, which I am sure you will appreciate. The moment we reduce 30% of debt and when the numbers are more manageable on the debt front, being an operating leverage, this is the most logical thing for us to do and with the kind of IP and the asset that we have build it is meant for more than two or three locations depending on the size and scale, so we are definitely wanting to do that and we are committed to do that. It is just a matter of time.

Mayuresh Kore: In fact we are happy to inform that at the current stage at least 5, 6 different geographies have been consistently approaching us for the Imagica brand to come up in various joint ventures or alliances to realize the potential of this in the various catchment across the country, so we continue to keep track of those and as Dhimant mentioned as we complete our debt reduction we will definitely initiate those.

Manish Rawat: Thank you Sir. Thank you for answering.

Moderator: Thank you. The next question is from the line of Bimal Sampat, an Individual Investor. Please go ahead.

Bimal Sampat: Good evening. Two questions once that hotel sale is through will our F&B revenue come down and second thing will we get commission on hotel booking, which will happen through our site and all that and what are the other operating revenues?

Mayuresh Kore: Your first question, the hotel as a separate stream of revenues and so as the park, in the balance sheet, the F&B used to be combined as one revenues where some F&B of the park as well as in the segment revenues, the food revenues used to be highlighted, but those are purely separate, I mean the hotel as a own business unit and theme park as a business unit operate separately, so



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things will not change. The understanding as part of the hotel sale is that existing arrangements that the park has with the hotel in terms of packages will continue as it is, there will be no change in the understanding or the sharing from the current level, and as a consumer obviously as a package you will continue to enjoy the combo package with the stay as previously.

Dhimant Bakshi: So the way we have designed our entire structure is that like Novotel Imagica although it is a part of our stable and we work on transfer pricing with Novotel and that is how we operate with other players where we do any joint business that is what will continue, so it is really not a problem Sir on that front.

Bimal Sampat: So actually last year there was a loss of Rs.7 Crores on the hotel business, so that will go off next year, once we transfer the hotel?

Mayuresh Kore: From the hotel, the hotel has thrown an EBITDA of Rs.6.5 Crores for the full financial year FY2018, if we take the depreciation corresponding, but we have to really note that 171 rooms were not operational in that year and I am sure in the next three months or so it will be once the new buyers takes over the entire property and depreciation.

Bimal Sampat: Okay and what are the operating revenues?

Mayuresh Kore: The other operating incomes include parking, the car and bus hires that we get and sponsorships to that extent, so these form part of the other operating income.

Bimal Sampat: Okay, thank you and the merchandise now with new tie ups will we have a jump there, do you expect next year, two years?

Dhimant Bakshi: Yes, on the footprint of retail merchandise, we are getting a very positive response from the partners whom we are already present as well as there are new tie ups, which are already being done, so we have already completed one tie up in Gujarat and now we are actively looking at other parts of the country and we would be ramping this business very strongly.

Moderator: Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.

Jigar Shroff: Thanks for taking my question. What is the capex plan for FY2019?

Mayuresh Kore: All our repairs and maintenance activities, which we need to do at the Park are a part of the P&L and as we explained any addition to ride and attractions, we have taken the model where any partners can come up and invest into any new attraction and we will be happy to engage on a revenue share, so apart from the regular ongoing maintenance activities we do not anticipate any capital expenditure.



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- Jigar Shroff:** Any ballpark figure that repair and maintenance that you would have to incur other than what the partner incurs?
- Mayuresh Kore:** No, for the new attractions the partner incurs the entire capex, the maintenance is part of our P&L, which is already part of our operating expenditure and it will be continuing at similar levels as previous.
- Jigar Shroff:** Sir after the divestment of these two assets, what would our debt come down to approximately – currently it approximates Rs.1023 Crores you said right?
- Mayuresh Kore:** Yes.
- Jigar Shroff:** So then it will come down to approximately?
- Mayuresh Kore:** Yes, we are planning Rs.740 Crores to Rs.750 Crores of residual debt after clearing all the outstanding debt and dues.
- Jigar Shroff:** What is the scope for further cost reduction initiatives, so which areas would you look at for the current year besides you said you are looking at some solar initiatives also?
- Dhimant Bakshi:** Yes, so solar is very much an active conversation, which we are having with multiple vendors for a long power purchase agreement and since our consumption of power largely happens during the daytime, I think solar is a apt mechanism where we could reduce our power cost, so we talks with two, three players and by October, November this year, we should have our solar implementation in play, which has scope to reduce the power cost. Apart from that we have become really cost conscious in terms of all other expense buckets as well and we keep looking at chances where we could really optimize our cost and there could be some efficiencies coming further; however, major part of the efficiencies we have built in over the last couple of years as you may appreciate on a long way in bringing on the fixed operating cost and importantly the focus should be to inch up the revenues because being a operating leverage and a fixed nature of cost I think there is real room for growing the EBITDA margins further.
- Jigar Shroff:** So the solar power initiative would reduce your cost by how much Sir? You must have done some calculation I guess?
- Mayuresh Kore:** The unit rate obviously will be lesser, but the quantum of exact power savings we will come back to you because we are talking with multiple power suppliers to that extent, but from the overall power cost one could really expect 15%, 20% savings in the current year.
- Jigar Shroff:** What is the current power cost?



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- Mayuresh Kore:** Currently we are using a mix of MSEDCL withdrawal and some open access, so on average we are at about Rs.17 Crores per annum.
- Jigar Shroff:** Rs.17 Crores is the power cost per annum.
- Moderator:** Thank you. The next question is from the line of Shruti Patel, an Individual Investor. Please go ahead.
- Shruti Patel:** Thank you. My question is what is the EBITDA excluding hotel for the year?
- Mayuresh Kore:** It is Rs.55.63 Crores excluding the hotel and the hotel Rs.6.5 Crores.
- Shruti Patel:** In your balance sheet there is a line item called other financial liabilities, which was about Rs.40 Crores last year, which is grown to Rs.130 Crores, so I wanted to understand what is in there?
- Mayuresh Kore:** As accounting standards, the principal installment due in the coming year have to be included in the current liability, so this year we had to classify in the other and current liability and also we have taken against the sale of the hotel, we have taken Rs.15 Crores advance, so that is also figuring in that, so that is where the amount has increased.
- Shruti Patel:** Okay, there is a separate item called borrowing also, so I was not sure if liabilities were included there?
- Dhimant Bakshi:** It is included there.
- Shruti Patel:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Jigar Shroff from Financial Research Technologies. Please go ahead.
- Jigar Shroff:** Sir what is your outlook on the non-ticketed revenue, it has gone up about 18% in FY2018 and in some cases I mean what is the trend globally amongst all these theme park, so whether we are moving in that direction?
- Dhimant Bakshi:** Yes, so we very much moving in that direction and if you look at the Parks in India there is a huge gap between what we do on non-ticketing compared to what the other parks do, so technically a good mix really. Currently we are at above 65-35 kind of a ticketing to non-ticketing mix and we would like to take this share to about 40% in this current year and as we move our merchandise in the retail business out we would have a better push to that, that is really the trend globally as well and that activity particularly takes them time to built up and that exactly the journey we are on as you rightly indicated.



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- Jigar Shroff:** So 65% ticketing should come down to approximately 60% in the medium term?
- Dhimant Bakshi:** Yes.
- Jigar Shroff:** 40% would be non-food beverages and the other merchandise, etc.?
- Dhimant Bakshi:** Yes so for Q4 itself we have touched 40%, but the year long performance for us is 35, so we are very much on that trend and with any further inclusion of any merchandise alliances that we can get will only add to it.
- Jigar Shroff:** So the QIP that is the enabling provision that is primarily for what, I mean for expansion or for the debt reduction?
- Mayuresh Kore:** The last year we have taken this approval with a view to do a combination wherein there were couple of expansion opportunities as well and after that of course the asset sale option came up, so it may be used based upon the requirements and as I mentioned previously we have not firmed up an exact amount and also the current valuation, we are not very keen on jumping on it right now, so I am sure the plans will unfold over the coming month and it would be used for a mix of growth as well as for further pairing of debt.
- Jigar Shroff:** How confident are you that both these debt reduction initiative should go through in the June quarter?
- Dhimant Bakshi:** I think that timing is very essential and the legwork has been done, I can assure that over the last four months we have been active and despite upheavals happening in the banking sector we have completed all their requirements of valuations, certification everything which is required and as explained the banking sector is extra cautious for any release of securities and everybody kind of – before affixing their signature on any documents want to be doubly sure in this current scenario, so which we have done fortunately and now it is really up to the banks and proposal at highest level at the lead bank and I am sure we should do it in a couple of months.
- Jigar Shroff:** Hopefully if not June, by September quarter it should go through.
- Mayuresh Kore:** 100% it should go through.
- Jigar Shroff:** Your average interest cost currently is 11.4% correct?
- Dhimant Bakshi:** Yes.
- Jigar Shroff:** So with this debt reduction and all we should expect some kind of uptrend, which will lead to a further reduction in our average interest cost?



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Mayuresh Kore: We already been discussing with credit rating agencies for upgrade based upon the reduced debt component and with the core business scaling and footfalls looking encouraging, we will definitely go for a higher credit rating and as far as the interest cost goes definitely we will be happy to reduce by further half percentage point or 1, but obviously we do not know how the interest scenario pans out considering the inflation and other factors, so we will be watchful in that regard.

Jigar Shroff: Okay Sir. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to the management for their closing comments.

Mayuresh Kore: Thank you everyone for participating in the Q4 conference call for Adlabs Entertainment Limited and we really happy with the questions and hope that we have addressed them satisfactorily. Thank you.

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