"Adlabs Entertainment Limited Q4 FY'16 Earnings Conference Call"

May 26, 2016

MANAGEMENT: **MR. KAPIL BAGLA -- DIRECTOR AND CHIEF EXECUTIVE OFFICER, ADLABS ENTERTAINMENT LIMITED**
MR. RAKESH KHURMI - CHIEF FINANCIAL OFFICER, ADLABS ENTERTAINMENT LIMITED

Moderator: Ladies and Gentlemen, Good day and Welcome to the Adlabs Entertainment Limited Q4 FY'16 Earnings Conference Call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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. Kapil Bagla -- Director and CEO of Adlabs Entertainment Limited. Thank you and over to you, sir.

Kapil Bagla: Good afternoon, everybody. It is good to talk you again after three months and let me just enumerate the performance of Q4 and the full year of FY'16. So we have announced the fourth quarter results and the annual results for FY'15-FY'16.

For Q4 the footfalls of the parks, which are Theme Park and Water Park put together stand at 3.17 lakhs versus. 3 lakhs in the previous year signifying a growth of 6% on Q-on-Q basis.

Consequently, the revenue of Q4 stands at Rs. 56.98 crores versus Rs. 49.43 crores in the corresponding quarter of previous year signifying a growth of 15% on year-on-year basis. The EBITDA for Q4 stood at Rs. 6.94 crores versus an EBITDA of Rs. 3.68 crores during the corresponding quarter in the previous year, which is a growth of 88%.

For the full year of FY'16 the footfalls of Theme Park and Water Park put together stood at 15.5 lakhs versus 10.64 lakhs in the previous year, that is a growth of 46%.

The revenue stood at Rs. 252.39 crores versus Rs. 189.42 crores in the previous year signifying a growth of 33% on a year-on-year basis. Consequently the EBITDA for FY'16 is Rs. 40.20 crores versus Rs. 20.52 crores in the previous year, signifying a growth of 96%.

Let me just take you to some of the key highlights and developments in Q4. I think the first thing that we had done as we had discussed in the previous quarter is that we have taken concrete steps towards improvement of our realization and ARPU, particularly on the ticketing front. In line with this we have move to a plus tax service model in mid of February.

In March we have further endeavor to increase our ARPU where we have discontinued some low ARPU promotions and products like Happy Tuesday and Wat A Wednesday for the Theme Park and Water Park respectively.

As a result of the above measures, the ARPU of the Theme Park in March have increased 27% over January 2016 and similarly the ARPU of the Water Park in March has increased by 24% over January in the quarter. This was a move that was made in the middle of the quarter so we just wanted to tell you the trend of growth in ARPU during the quarter itself.

So while we have achieved a footfall growth of 6% in Q4 the overall pace of footfalls growth has remained soft and indefinitely slower then what we had envisaged. We have also observed weak consumer segment in Q4 on discretionary spends and also due to seasonality.

The other highlight of the quarter has been the extremely good performance of Novotel Imagica. Novotel Imagica continues to perform well even in Q4. The average occupancy stood at 78% and average ARR that is average room rent per room was Rs. 5,800 + and inclusive of F&B the ARR was Rs. 9,900. As such Novotel Imagica has now been able to firmly establish its niche in the leisure and social segments and has firmly established Imagica's position as family holiday destination.

During the six months of operations till March 2016, Novotel Imagica, Khopoli has hosted 155 corporate and six destination wedding. This is a sort of record in this industry and it has also consistently improved its ARR. Novotel Imagica has garnered excellent customer feedback and reviews on TripAdvisor and other hotel review site.

In fact, in March end Novotel Imagica within the six months of operation has received an award for the best "New Hotel in the Upper Mix Segment Category" by HICSA which is the Hotel Convention of Southeast Asia in Delhi . I think the property has been doing quite well.

During Q4 Imagica has worked on a new branding and positioning with our creative agency and have decided to merge the entire offering under a single brand of Imagica. We feel that consolidating the Theme Park, Water Park and now the Snow Park under a single brand name Imagica will lead to an optimization of marketing cost and a much better brand recall. This will also facilitate focus penetration of Imagica brand is the non-catchment area with the philosophy of positioning Imagica as a holiday destination.

We have also launched a new brand logo bodying the Imagica experience as "Imagica badi interesting jagah hai" I am sure you must have watched our new TVC which is currently running on IPL.

We have completed the Snow Park in March, 2016 and had conducted trial runs for the same in March and completed all the preparations of its launch in First Week of April. The Snow Park was actually launched in the first week of April. The Snow Park area is built over 30,000 square foot and is the largest Snow attraction in India. The Snow Park has a capacity of 3,500 guests to 4,000 guests per day. The park will have daily nine sessions of about 45 minute each and each session can host about 400 guests.

With this capacity addition, we target to convert at least 15% of footfalls which are traveling to Imagica for Snow Park. Snow Park tickets are prized at Rs. 499 plus taxes on standalone basis.

We are also pleased to inform you that the Bureau of Indian Standards has awarded and ISO 9000 Certification to Imagica Theme Park and Water Park for the Integrated Management System, IMS. This consist of quality management system ISO 9001:2008 Certification and Environmental Management System which is 14001:2004 Certification for Protecting and Conserving Nature and Natural Resources and Occupation Enhance and Safety Management certification ISO 18001:2007. This also establishes a fact that Imagica is a park which performs at best of the quality and offers best of services and systems to its guest.

Let me now draw your attention on what is the planning for the current financial year which is FY'17. So during Q4 we have kicked up many initiatives for FY'17. We have worked on key enablers for ramping up numbers from non-catchment areas such as ease of booking, travel and stay. The non-catchment cities activated are Delhi, Indore, Bhopal, Raipur, Hyderabad, Nasik, Nagpur and Rajkot. When we say activated it means we have appointed agents there, we have our sales team sitting there, we have done local marketing in these areas so that inbound tourist population which generally travels during holiday season is positioned to come at Imagica on their next travel to Mumbai.

We have tied up with some large agents in Delhi to promote in bound tourist traffic to Imagica. The target of all these activity is to get 10% to 12% footfalls from new catchment markets in FY'17 through these channels partners so this will be a fresh footfall that is targeted to come to Imagica.

Besides this, the overall focus area for the current financial year is that we will continue to experiment with increasing ARPU strategy for Q1 and will observe closely the impacts on footfalls and revenue. We will definitely pass on any tax to the customer as and when it is imposed. So like last year where we had absorbed the Service Tax element, this year we are adding the service tax element to the customer. We will endeavor to enhance the share of non-catchment footfalls from the current level of 5% to 6% then to 10% and then to 12% as I have said earlier. We also endeavor to enhance the share of B2B and channel partner driven sales from the current level of 15% to over 20%.

We will also enhance the share of non-ticketing revenue which is the food and merchandizing revenue from the current level of 27% to above 30% in the current financial year. We will focus on repeat visit by launching the repeat pass call the Imagica Once More Pass so the repeat visitation will be on strategy also in the current year. We will up sell the hotel and park combos and sell express ticket to enhance ARPUs and margins.

So these are some of the strategies that we will be deploying to improve realization to improve distribution and consequently to improve revenues in the current financial year. Of course we are targeting to launch the balance 171 rooms of the hotel in two phases, 80 rooms are completed right now and we are awaiting clearances for launch and hopefully we should be able to launch it by end of June in Q1 and the balance 91 rooms we will put to use in Q2 of this year.

The other thing that we will keep our self-busy is a little bit of financial management, so during the year we will take concrete steps towards monetization of our surplus land. I am pleased to inform that substantial ground work has been undertaken as far as permissions and planning for these monetization is concerned and I am quite hopeful that we will be able to present a roadmap for the surplus land monetization before the next earnings call. Aside of that, we will continue our efforts towards reducing our interest cost by negotiating with our existing banks and also explore refinancing option so that our cost of interest comes down.

Our aim finally with all these measures for FY'17 is to have a cash profit which means we will achieve cash breakeven, we are targeting to achieve cash savings during the year and all our strategies of pricing and footfall growth and cost structures have been aligned keeping this objective in mind. So this is our broad target and our strategy for FY'17.

With this, I would like to handover to Rakesh to discuss the financials of Q4 and FY'16 in a little more detail. Thank you.

Rakesh Khurmi: Thanks, Kapil. So let me talk about the results for the full year and the fourth quarter. Let us talk about footfalls and ARPU first. So Q4 we had a growth of 6%, the breakup of footfalls is as follows:Theme Park in Q4 FY'16 we did 2.16 lakhs; Water Park we have done 1.01 lakh. Accordingly the total is 3.17 lakhs. In terms of mix Theme Park is 68% and Water Park is 32% and footfall achieved for full year is 15.54 lakhs and the break-up is as follows. Theme Park is 9.74 lakhs; Water Park is 5.8 lakhs so, the mix is 63% and 37% respectively.

The gross realization per visitor for both the parks put together for Q4 - ARPU is 1,543 versus 1,646 last year Q4 and ARPU for full year is 1,521 versus 1,779 last year full year. The break-up for the Q4 ARPU is as follows: otal is 1,543 as I said, the break-up of ARPU is follows: ticket is 1,057, F&B is 294, retail and photo is 133, others is 59; so, they add up to 1,543. Drop in ARPU is primarily the impact of Service Tax and also the mix change in favor of Water Park.

Just to summarize we had pricing with plus service tax model from 10th February which led to a higher ticket realization in February-March, we also discounted low ARPU Happy Tuesday which also led to higher ticket realization. So as a result the ticket ARPU just to give you perspective actually jump by 28% within the same quarter from January to March, so primarily two reasons one is the Service Tax pass on, the other is doing away with low ARPU products.

On the hotel performance side, hotel constitute good progress on all fronts, it not only had a higher occupancy but also witness higher realization. Hotel occupancy in Q4 was 78% and the breakup of ARR is as follows: ARR for room rent is 6,352 and for F&B ARR is 3,546, the total is almost 9,900.

So on revenue side, Q4 revenue jumped to Rs. 56.9 crores from Rs. 49.4, showing growth of 15% and full year we clocked revenue of Rs.252.4 crores, last year it was Rs. 189.4 crores showing a growth of 33% on a full year basis.

EBITDA for Q4 jumped to Rs. 6.94 crores from Rs. 3.68 crores quarter-on-quarter. For full year it jumped to Rs. 40.2 crores from Rs. 20.5 crores showing a growth of 96%.

Some of the cost related highlights are as follows:

Just to reiterate that the Q4 cost is not comparable with the last year Q4 because of the launch of Hotel in this year. Cost in absolute terms therefore would be higher than the cost of last year. So the fixed cost clock which we normally highlight every time, the fixed cost clock per month basis for Q4 for Park is Rs. 13.7 crores last year and this year it has gone down to Rs. 12.8 crores so, actually there is improvement in the Q4, the clock has gone down from Rs. 13.7 crores to Rs. 12.8 crores. On the Hotel side the fixed cost clock per month is now Rs. 1.95 crores per month which was Rs. 1.7 crores, so as we are progressing towards the launch of balance number of hotels the sum of the OPEX have gone up in terms of the preparing for the balanced rooms to be launched. So overall fixed cost clock is now Rs. 14.75 crores per month.

And some of the line items, advertisement we have spent Rs. 12.1 crores in Q4 which is 21.3% of revenue, employee cost was Rs. 15 crores for Q4 which is 26.5% of revenue and on full year basis the employee cost is 23.6%. Overall cost continues on the green initiatives we could actually achieve savings in power and fuel and repair and maintenance.

On the interest cost. the current rate of interest is now 12.5% so we have registered a 0.25% reduction vis-à-vis the last year, in Q3 it was 12.75%. As of now we have been able to negotiate it down to 12.5% and the total interest cost is Rs. 28.7 crores. We are working on it as Kapil highlighted that we are still working on the refinance options to further reduce the rate of interest.

On the balance sheet side, the debt outstanding is Rs. 962 crores, the peak debt is expected to be 985, net fixed asset blocks at Rs. 1,383 crores, so this includes the capitalization of Phase I of Hotel and the total cost on completion of 287 rooms is likely to be Rs. 190 crores. So as Kapil again highlighted the township permission related progress is made so as and when we start the full progress on this, we should be then able to do the savings in terms of further reducing the debt in the medium-term.

So this is from my side, so we now throw the floor open for the Q&A.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Few will take the first question from the line of Bharat Bhagnani from Tasha Investment Advisors. Please go ahead.

Bharat Bhagnani: I had a question with regard to your presentation, you have mentioned that you have transferred about 137 acres to a 100% owned subsidiary. I just want to know the logic of doing this transfer?

Kapil Bagla: I think the intend of transfer to the subsidiary was always there, only the process of transfer got completed know in the wholly owned subsidiary. The idea obviously is that because it is surplus land and this is going to be a real estate development, we do not want it get confused with the whole businesses of Theme Park, Amusement Park which is our core business. The real estate business which we will probably develop in JVs with other developers, it is a correct strategy in terms of financial structure of the company.

Bharat Bhagnani: Are you looking at developing itself if not a JV?

Kapil Bagla: No, it will always be with the JV as we are not developers so we will not develop it our self.

Bharat Bhagnani: Okay, sir. And another thing what is the timeline that we are looking at with regard to the Adventure Park?

Kapil Bagla: Yeah, so at this point in time we have been finalizing the design and development the land where the Adventure Park is going to be located and is already been identified. Hopefully if all goes well we should be ready with our blue print, our costing , our vendor commitment by in next two months or three months' time and post monsoon we should hopefully be able to start the construction of it. The whole process of construction is six months and if everything goes well by the end of financial year we should be able to launch the Adventure Park.

Bharat Bhagnani: And since there is no CAPEX and somebody else is putting in money, what kind of margins are we expecting on the Adventure Park and the Snow Park as oppose to our main Imagica Park.

Kapil Bagla: It is like the Snow Park which has 25% of share, so it is a 25% margin which basically straight goes to the bottom-line. A deal with although the Adventure Park is still under finalization but it is also in the similar line.

Bharat Bhagnani: Okay, 25% of gross revenue?

Kapil Bagla: Yes, of gross revenue.

Bharat Bhagnani: Okay, just one last question which I want to come in with is that you have mentioned in the presentation that you are looking at exploring options in Delhi NCR and with a JV in Hyderabad. I just want to ask if this is viable strategy for a company that giving that financially we are yet to be stable with the Imagica itself?

Kapil Bagla: No, sir, please understand, we have always maintained that these are potential areas for expansion, as a company which is focused on growth cannot ignore market, we will keep our minds and eyes open but right now our full concentration is to stabilize and grow the operations of Imagica where we have substantial scope of growth. Whenever the right time comes and these options get stabilize we will look at those markets. You see as a growth company we are not likely to ignore the opportunity existing in these markets which is why we have in our presentation termed it as a mid to long-term strategy for growth.

Moderator: Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: First of all I would just want to clarify if I heard it correctly, you mentioned that plus tax pricing and discontinuation of some of the promotion resulted in 28% increase between January and March in average ticket price for Theme Park?

Kapil Bagla: Yes.

Jay Doshi: 28%, right?

Kapil Bagla: Yes.

Jay Doshi: So just want to know how are you seeing the overall footfalls and demand in the month of April and May with this kind of price increase versus last year April, May?

Kapil Bagla: I think as far as the increase pricing is concerned we are not seeing any impact on the footfalls that were paying that kind of pricing which is peak pricing. Obviously, the people who were paying the Happy Tuesday pricing or Rs. 999 pricing, , only on that particular people you we will see some advantage. But the benefit that we will get out of increased in ARPU we are still collecting data, I think generally the trends have been encouraging enough for this strategy.

Jay Doshi: Correct. In March quarter Theme Park footfalls declined marginally though on a Y-o-Y basis so from the June quarter perspective what is the trend that we should expect? Will it grow or will it be flat? I can understand your ARPU benefit will be significant so on a revenue basis it may be good but from a footfall perspective should we expect a flat quarter decline or growth?

Kapil Bagla: No, I am just saying at least on the revenue front okay, we are concentrating on the revenue front, I would presume that we will be happy if we maintain the revenue trend with an increase

ARPU. So, if you see a footfall decline trend the only thing that will happen is that on the product Happy Tuesday which is the very discounted day there will be a ticket footfall otherwise we have not seen any declines in footfalls on my fully priced products.

Jay Doshi: Understood. Now this real estate monetization you indicated that we can expect something in the next three months. So, if you can give some sense as to whether it will help you reduce your debt levels?

Kapil Bagla: We are hoping that the way it works and you know I do not want to spell out extract strategy but typically it works is that once you sign a JV or when you are able to sign a contract with some developers you obviously have a revenue-share arrangement for any sales and there may be an element of some sign off amount coming in. So if those structures get achieved I think we should see a probability of debt decrease due to that inflows.

Jay Doshi: So will that be a sort of upfront sign off amount that you will receive and then based on the sales you will keep receiving on over a very long period or you will get your share of value whatever immediately right away in the next three months or so?

Kapil Bagla: No, it always works on a sign up amount and then a progressive amount as and when we grow.

Jay Doshi: And based on your experience what is the general ratio if let us say if value of properties is hundred, what percentage is usually sign off and what percent is progressive?

Kapil Bagla: See this is variable, it varies from area to area and very difficult to comment.In Mumbai prime city the ratio are different between land owner and the developer share and in other areas they are different, we will spell out everything but right now we are working on that and I think some clarity will be given if something happens during the quarter obviously but before the next earnings call definitely.

Jay Doshi: Right. Just a final question, whether both Snow Park and Adventure Park be within the Theme Park? If yes then one has to purchase Theme Park ticket to access these facilities?

Kapil Bagla: No, they are adjacent to the park, so you can enter separately also and you can enter as a combination of any of the parks also. So there is a separate entry but we have bundle product offerings also. For example, we are offering Snow Park as an add-on to the Theme Park or we are offering Snow Park as an add-on to the Water Park. However, if you intend to go only to the Snow Park then also you can buy a ticket.

Jay Doshi: The pricing of Snow Park at Rs. 300 if I am not mistaken is a bit lower than what they price it in metros, right?

Kapil Bagla: No, it is not Rs. 300 it is Rs. 499 plus taxes.

Jay Doshi: Sorry, I heard it wrong, my bad.

Moderator: Thank you. The next question is from the line of Gaurav Sanghvi from Bajaj Allianz. Please go ahead.

Gaurav Sanghvi: Sir, the first question is related to muted growth in terms of footfall in this quarter, you mentioned the realization has gone up but how do we deal with the kind of single-digit footfall increase in this quarter?

Kapil Bagla: Yeah, our expectation in growth was higher than this to be honest, but we have seen two trends that have emergent and I am sure as you are tracking other companies you would have seen there has been trend of a little less discretionary spends and ours is a very discretionary spent product. Second we are talking about Q4 which is a quarter of exams and everything so, I think we have done reasonably well despite the increase in pricing during the quarter. But I am sure, going forward we will probably see a better growth in revenue and both in realization in the coming year.

Gaurav Sanghvi: Sir, my second question is related to realizations. I think compare to other Theme Park in India, our realization is significantly higher than them but however if we compare the EBITDA margins, our EBITDA margin seems to be comparatively lower and in terms capital allocation our fixed assets or you know gross blocks seems to be significantly higher than other parks. So if you can just explain so as to understand these things.

Kapil Bagla: See I think we again see comparison to other parks is not necessary the right thing, what we have always maintained that this is a park stand up in line with international benchmarks. So if we have to really compare we have to compare the CAPEX spends with international park vis-à-vis our park what we have done. So I think, to that extent we have been very cost conscious in terms of the CAPEX that has come and similar parks like Singapore and all have spent over a $1 billion and while we have spent $300 million approximately to build parks like this. So I think comparing in that way it is clear we should also understand that we have a history of only three years for our park to be operation. Also all the parks we have been ramping up our offering year-on-year basis. So technically speaking it is only in this financial year FY'17 once the hotel is really launching will our entire product offering as the project got envisage we will be fully commissioned then operational, we have steadily improved EBITDA margins and you know that this is very highly operating business which means that after you cover your EBITDA, I mean you cover your cost almost 75% to 80% of your revenue earned goes to your bottom-line. So I mean, as a I foresee on a medium-term trend basis if we are able to tend the growth levels that we have we are achieving I mean 25% year-on-year I think the EBITDA margin improvement will be quite substantial and I see in two years or three years' time the steady state EBITDA margin to rest anywhere between 35% from the current level of 17%-18%.

Gaurav Sanghvi: Okay. So the current footfall is you know close to 1.6 million, right?

Kapil Bagla: Correct.

Gaurav Sanghvi: So what kind of footfall you need to reach that in steady state margin of 35%?

Kapil Bagla: No, I think if we reach a footfall of around 1.9 million to 2 million we should be able to reach a margin of about 30% EBITDA and that can become a steady state level, so we are not far from the target actually.

Gaurav Sanghvi: Is it not mentioned by you that with the facility we have created and the kind of investment we have made our realizations would be 40%-50% higher than the other Theme Park so is not that the margin at the steady state basis should be higher?

Kapil Bagla: No, that is what I am saying, we are talking about 30% which is mix margin that is at a 1.9 million to 2 million kind of footfall. If you see your capacity in the park that we have created and with all the additions that we are doing for Snow Park and other thing this is 7 million capacities per year. At one point 6 million or 2 million even we are at around 25% - 30% capacity utilization. On a steady state basis, we would like to operate and the most of the parks typically operate at a 45%-50% average capacity utilization. On that stage the EBITDA margins actually improve to 40%-45% and as I mentioned in previous calls that our target today, our target in the next three years' time is to probably scale up to a levels of million to 3.5 million which is what we are trying to achieve on a year-on-year basis.

Gaurav Sanghvi: Okay. So in terms of CAPEX, the gross block would be at Rs. 1,400 crores - Rs. 1,500 crores . Any incremental CAPEX is left?

Kapil Bagla: No, I think the only CAPEX will be for commissioning of the balance rooms,.

Gaurav Sanghvi: Okay. So if I just look at the gross block, out of this Rs. 1,400 crores we have invested close to Rs. 244 crores in land that we are kind of trying to monetize, right?

Kapil Bagla: Not all of it.

Gaurav Sanghvi: Not all of it, okay. So if I just look at remaining amount can just help me to understand in terms of individual park wise how is the land used>

Kapil Bagla: Okay. So we have 300 acres of land overall, 130 acres of the land is used for the Entertainment project which is the Water Park, Theme Park, Snow Park, Hotel, and the Adventure Park.. 170 acres of land is surplus and adjacent to the surrounding Theme Park which is what will be monetized over a period.

Gaurav Sanghvi: Okay. So in terms debt once we monetize this land and as you mentioned that the peak debt would be around Rs. 1,000 crores. So, what is our road map for debt reduction given that we will be getting some amount from this…

Kapil Bagla: So I think this is why I explained to you that we are working on our plans of monetization and we should be able to share some concrete plan on that in our next call once our understanding and the whole plan get a little more shape. It is little early to comment on this call basically.

Gaurav Sanghvi: Yeah, right and given the plan we have to expand into other cities, so from the financial metrics perspective what is the kind of debt-to-equity ratio we have a kind of target or that we will exceed or something in that line.

Kapil Bagla: We will not exceed the debt-equity ratio which is between 1.5 to 1 in any case

Gaurav Sanghvi: Okay.

Moderator: Thank you. The next question is from the line of Amit Purohit from Dolat Capital. Please go ahead.

Amit Purohit: Sir, I wanted to check on the initiatives been taken on the non-catchment area and also the impact that would have on the cost side. So, I mean, at the ground level what all things are happening and what positivity we have seen in the last year and it has been how long that you have been doing local advertisement over there and how has been the response on that sir?

Kapil Bagla: I think in all the areas that we have activated which is as and when we activate. So when I say activation what happens on the ground, it happens that you appoint selling agents or channel partners in this region, you do some sort of joint advertising along with it, along with them in local papers. You do some PR activity and you also do generally the television advertising that you do on national television also kinds of supports the non-catchment activation. So this is the plan that you do. So, it is not any incremental cost that happens to us because that is part of our overall marketing strategy. The only thing that will happen is that because it is most of the footfalls are driven through channel partners in these regions, I am not saying everything will come through it, we will pay commission to him for channelizing those footfalls but because there is an incremental footfall that is how you grow business that is only the incremental cost that will come in.

Amit Purohit: Okay. So to take it forward I mean in terms of the absolute sales and distribution expenses which about Rs. 60 crores which would include the commission part of it also, so would it be fair to assume that the absolute number may not go significantly?

Kapil Bagla: Will not go significantly higher on a year-on-year basis.

Amit Purohit: So any number that you are looking at and FY'17 probably?

Kapil Bagla: Because I am telling you if you take the benchmark of FY'16 we would be near about that

Amit Purohit: Sure. And sir, how has been the response I mean what is your feel in terms of the response coming from these non-catchment areas or the focus market that now you are focusing on. I mean in how much time or when do you expect that there will be a significant kind of J-Curve or some good positive footfall coming from these segments?

Kapil Bagla: See I will tell you activation on new markets is the strategy which you have to do again and again to make it happen. Just to give you a sense that how do markets activate.When we had launched three years back we were only in Mumbai-Pune because of the catchment area so, almost 85% or 90% of footfalls use to come from Mumbai and Pune markets only. Next year which is year number two, we scaled up and we added some bits of Gujarat, okay as a new market, the footfalls from Gujarat from nowhere to increased 10% or 12% that means the catchment footfalls reduced to almost 80%-85% from 90%. Last year, I mean if you see last year we are having almost 22% of our footfall, okay, coming from Gujarat region itself. So this is the effort of two years of marketing in Gujarat we have been able to make Gujarat and now we are considering Gujarat as not our non-catchment area but our catchment area and now we are expanding the geography from non-Maharashtra and non-Gujarat area. So I mean as I told you that if our share from the current 4% or 5% from these segments can go up to 10% to 12% in the coming year which is FY'17 I think that will be a good penetration.

Amit Purohit: You have this number ready right now with respect to the cities that you have indicated about catchment area focus five cities - six cities that you mentioned, their contribution at this point of time.

Kapil Bagla: Not ready, I think we can subsequently discuss with you.

Moderator: Thank you. The next question is from the line of Karthik Mehta from Sushil Finance. Please go ahead.

Karthik Mehta: Sir, can you give the FY16 ARPU break up that is the breakup of Rs. 1,521

Rakesh Khurmi:

Rakesh Khurmi: Yeah, so the break up is ticket is 1,067, F&B 264, retail and photo is 138, others is 53.

Karthik Mehta: So when we say our ARPU has increased then it is because of ticketing?

Rakesh Khurmi: Ticket, yeah.

Karthik Mehta: And within that also it is not visible in the numbers because of the product mix.

Rakesh Khurmi: Yeah, because if the price increase was done in middle of February, we hardly got just one month actually so the right comparison was to compare the pricing prior to that increase and subsequently. Accordingly we complete January and March which showed a jump of 28% in our realization. But for the customer there was another 14.5% which is charged to him. So from the billed amount perspective the jump is actually 28 plus another 14.

Karthik Mehta: So this high cost effectively taken from January?

Kapil Bagla: No, mid of February.

Karthik Mehta: Okay. So for this full financial year 2017, effective year-over-year ARPU growth would be?

Rakesh Khurmi: 18% to 20% is what definitely we are gunning for.

Karthik Mehta: Okay. Now, sir my question is on the footfall. We have been aiming 3 to 3.5 million numbers in next three years which would roughly mean 22% to 23% CAGR in the volume term from the present base of 1.6 million. So, that is looking very hefty and very steep assumption given the way that our Theme Park volume numbers actually kind of altering and this year in the fourth quarter actually we have seen slight de-growth and the savior was Aqua Imagica probably. So you know while I understand that we have taken all the strategies in place in terms of going to non-catchment areas increasing the footprints through channel partners but still this 23%-24% sort of CAGR looks highly ambitious number. So, how confident are you that you would be able to achieve this because it has to speak on the quarter-on-quarter number not just that we talk about the number and it is going to be achieved.

Kapil Bagla: So I am only trying to say is that you have to see from a year-on-year perspective. So between last year to this year we have done 46% jump in the footfall.

Karthik Mehta: But sir, that was purely because of the significant growth in Q1 itself and then after Q2 was soft Q3 was again decent growth in footfall.

Kapil Bagla: So please understand we are a seasonal business, okay.

Karthik Mehta: But year-on-year there no seasonality, right ?

Kapil Bagla: That is exactly the point, when we are seeing 46% growth okay, the way that the curve on the footfalls expand is that when all the products start firing together and your markets are expanding the growth becomes exponential. At least this is the chart that we have seen from other international parks itself in five years. So you can check charts from some of the parks that have been launched in Asia, you have a first two years or three years of growth and then suddenly four years or five years you have a certain different trajectory of growth. So in a five years to six years' period the park generally when you say on average works out to a 20%-22%

kind of a CAGR on a year-on-year basis but at least for five years to six years and then they kind of plateaued out in terms of growth so to say. So I am just saying that this is a new concept. We have been successful in establishing a new concept at a much higher price point in the Indian markets hopefully the more words of mouth spread for the experience in the park we should be able to scale up much more.

Karthik Mehta: Okay. So my only worry is that while we remain optimistic and we have strategies in place but if the quarterly numbers do not support that then one fine day we would have to postpone the target number to three years down.

Kapil Bagla: I would be optimistic at this point in time for the simple reason that this is the first year where we have all the products firing and the entire project completed. So we should keep all our efforts to expand the market, we have 35 million footfalls of domestic visitors that come to Maharashtra every year and let us try to devise strategies to get as much of their conversion to the park.

Karthik Mehta: Okay. So how has been these holiday season of this April and May has been so far, is it really very-very encouraging?

Kapil Bagla: I think it is a reasonably encouraging from the kind of ARPUs that we are getting in this quarter it is quite encouraging.

Karthik Mehta: Okay. So you mean to say that the volume growth is also quite good despite of the increase in ARPU?

Kapil Bagla: I would like to quality that statement that except for the segment of low ARPU which is Happy Tuesday, on all the factors on the revenue front, I think we have seen decent rush.

Moderator: Thank you. The next question is from the line of Sonal Gandhi from Anand Rathi. Please go ahead.

Sonal Gandhi: Sir, just wanted to check on few data points and want more clarity. So, if I look at the average ticket price in Q3 it was Rs. 1,018, am I correct?

Rakesh Khurmi: Yeah, so Q3, for both cost put cost put together was Rs. 1,018 as last time we said.

Sonal Gandhi: Yeah, and it is 1,057 this time. So sir, if I look at the numbers the sequentially growth comes somewhere close to 3.8%-4% wherein mix of Imagica and Aquamagica has remain the same. So the price hike that we have taken is actually not reflecting in my ticket ARPU so, if you could explain me I mean what am I missing here?

Rakesh Khurmi: This is for full quarter.

Kapil Bagla: We had a pre-booking which were on the lower rates, actually it is from March the incremental has happened in the ARPU level.

Sonal Gandhi: Sir, so that we have seen lower volumes in March that is why the numbers is looking small.

Kapil Bagla: I think we should get into a detail because it is specified question, can we address it separately please?

Sonal Gandhi: Sure, no problem, sir, also sir, if you could just share revenues from Imagica Aquamagica for Q3 and Q4, I do not have those numbers.

Rakesh Khurmi: Q4 revenue Theme Park Rs.367 Crores. Water Park is Rs.123 Crores. Total is Rs.490 Crores. Hotel is 80. Total is 570.

Sonal Gandhi: Sir one more thing on fixed asset side. So, if I look at your fixed assets for FY'16 that is about Rs. 1,383 crores and last year we had about Rs. 1,475 crores. So I mean apart from because I think we have taken like about Rs. 45 crores of CAPEX in Q2 when also then we had Hotel properties coming in so, why is that the fixed assets have gone down apart from depreciation?

Kapil Bagla: No, it is the transfer of land. Land has been transferred to subsidiary.

Sonal Gandhi: I am looking at the consol numbers, so it is a wholly-owned subsidiary.

Rakesh Khurmi: Yeah, so that is one and there is some residual value also. Earlier we had assumed that you know on conservative scenario and we were taking full gross block for the depreciation later we benchmark we realized that no, the right way to do is to consider the residual for each type of assets so there is residual value calculation done with the help of auditors so there is some reduction on account of that also in the gross block. So it is the de-capitalized to that extent.

Sonal Gandhi: Okay. Sir, one more clarity when we talk about Service Tax hike so, we kind of I mean you expect that the ticket price ARPU will be up by 24% or we are not going to show that as part of our ticket price ARPU, we are going to deduct our Service Tax?

Kapil Bagla: All the revenues will be declared with a net off Service Tax.

Sonal Gandhi: It will be net of Service Tax so will be like about 12% to 14% kind of growth.

Rakesh Khurmi: No, ARPU whatever we have shared is without Service Tax already.

Sonal Gandhi: Yes, sir. Again I am talking about FY'17, so you said it should be about 24. So my question is like it should be about 14%, 12% to 14% am I correct.

Rakesh Khurmi: No, in the realization we are looking at jump of around 18% to 20% and the tax will be over and above this.

Sonal Gandhi: So we have taken price hikes plus the Service Taxes.

Kapil Bagla: Yeah, we have reduced a share of low ARPU product. And we have taken some price hikes as well.

Sonal Gandhi: So that should be about 5% to 6%?

Kapil Bagla: Yeah.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec Capital. Please go ahead.

Amit Kumar: Just to begin with, I think during your initial remarks in fact talked about a little bit of cost rationalization in the business as well. So I just wanted to understand the scope of that and which are the specific areas that we are talking about?

Kapil Bagla: Okay. So I think for the current year there are three areas or four areas that we are looking at reduction or at least optimization. One area that we are looking at optimization is the whole manpower bit because now we are a stable operation and we want to understand how we can rationalize our man power and have economies of scale for all the parts build together. So I think that is one area that we are definitely looking at in cost rationalization. The other area that we are also strongly looking at cost rationalization is the average incremental power consumption. So in various ways for reducing power tariff with this in way of accessing open access policy for the government to buy power privately and other alternative sources of power that we are analyzing so, power and fuel is one area of cost realization. As we had also mentioned last year that vis-à-vis the growth that we are envisaging we are also trying to rationalize an overall absolute number of marketing and sales spend. So as a percentage of our revenue the sales and marketing spends will come down and I think one area of rationalization is also some bit of rationalization we are going to keep it on the general overheads as well. So you will see most cost realization happening on these items. Bigger numbers will happen on the man power as well as the whole power side.

Amit Kumar: All right. Sir, my next question is when we look at just the Theme Park footfall growth, so FY'15 you were at about 0.9 million, scaled up to about 0.98 let us say just about a million or so as you mentioned that Gujarat its contribution sort of increased from 12% to 22% last year so effectively the entire growth essentially came from Gujarat. When we look at the core catchment markets of Greater Bombay and you know Pune or so ,has that market sort of just stabilized in terms of footfalls or do you see an opportunity for growth there as well?

Kapil Bagla: No, I think there is reasonably large opportunity for growth. When we see our penetration levels in Mumbai-Pune market, okay, we are talking of an overall market size between Mumbai and Pune were 35 million people market so, and our TG from these two markets is about 16 million people so but the rent activation is not even capturing 10% of that market or even less than 10% of the market so I feel that there is enough opportunity for Mumbai and Pune traffic to grow further. The question is as a percentage contribution to overall distribution geographically that obviously will come down because we want it is obviously happen because the pie is going to expand the growth you will see is from adding on additional markets but at least our sales team never sees a kind of penetration challenge in these two markets I think there is enough opportunity existing.

Amit Kumar: My second point really was a fact that at this point of time when we look at overall sort of marketing focus you are activating the core catchment markets as well you are doing Gujarat then you have a bunch of cities out there so, basically is there a case that the marketing effort is basically getting spread a little bit?

Kapil Bagla: No, I do not think when we say marketing what do you do how do you reach national? You reach national largely on account of advertising in national mediums like television or cinema, okay. So I actually speaking when you expand non-catchment you actually use up the spillover that is actually happening by advertising in these medium so, you are ineffectively optimizing the spends that you are making in using those mediums. So we are not saying that we have to increase large amount or significant amount of marketing spends to spread in other markets. The other market expansions are largely distribution led expansion which is more variable in nature this is though agent through channel partners, it not on account of increasing advertising spends.

Amit Kumar: So you are saying that those sort of range markets will get covered through your national media plan?

Kapil Bagla: Absolutely, you may choose some local advertising by radio which is not expensive and these are very tactical in nature.

Amit Kumar: Okay. Just very sort of short follow-up on that, you know last year you were there in IPL, how has your sort of media plan changed a bit if you can just talk about that a bit?

Kapil Bagla: No, I think our new TVC has got some good response on IPL, we are there on IPL, we are there on cinemas and I think generally, we are following the trends that we did last time because our advertising spreads and media plan was pretty, okay.

Moderator: Thank you. The next question is from the line of Yash P. from Mint Stream Securities. Please go ahead.

Yash P.: I would like to know let us say your current financial year top-line and bottom-line, how much it has miss the projections when you had come up with an IPO you had projected numbers so, how much is the miss match?

Kapil Bagla: It is a tough question because you have internal plans and I am not in a position to disclose during the IPO what our thought process was.

Yash P.: You guys had given in the Investor Conference and in the Presentations. So what I recollect you had projected that you will break even in FY 16, am I right?

Kapil Bagla: We had always said that FY'17 will be the year where we will be cash breakeven. I have been consistent in my guidance even during the previous calls as well.

Yash P.: So but here would you have any ballpark figure whether we are missing 20%-30% or we are on inline?

Kapil Bagla: I can only say that we could have done better.

Yash P.: This you would also say when you breakeven and that is what we all wish for.

Kapil Bagla: I can put you in perspective give you a number that at least on the EBITDA front, where we have missed without none being our fault, okay. What we were hit was a Service Tax element which came in force from June of 2015. When we made our business plans for FY'16, okay this was an element which was not planned to that extent.

Yash P.: But that you can always pass on to customer that will be around 14% let us say if you do not pass that will be the hit of 14% is it that we have missed 14%-15%?

Kapil Bagla: We have got Rs. 200 crores or Rs. 180 crores or Rs. 170 crores of ticketing revenue, it is a Rs. 18 crores to Rs. 20 crores item on the EBITDA. So it is a large deflection, if you see our ARPUs reduction from previous year the large impact is on account of the Service Tax absorption now because we are in a little bit of ramp-up stage to and we were already priced aggressively so to say in our products we had taken our decision consciously for the last year to absorb the Service Tax and see how the footfall ramp-up happens and after having reached a particular stage of now, ramp up we have in the opportune time decided to pass on the service tax to the customer. So it is a method of evaluation I think that is where we have probably missed to that extent in terms of our EBITDA target.

Yash P.: Fine. And I would like to know more about your Hotel business. So you told that its total room capacity is 287 for the hotel, right, so how many are operational as of now?

Kapil Bagla: 116.

Yash P.: 116, are operational.

Kapil Bagla: Yes.

Yash P.: And when further it is expected to get operational?

Kapil Bagla: So it will be in two phases, we are hopeful that the 80 rooms will be operational in end of this quarter, okay they are complete and awaiting permission and the balance 91 rooms should be operational in Q2 of this year.

Yash P.: Okay, by mid of this year the whole Hotel should operational?

Kapil Bagla: Absolutely.

Yash P.: So then basis that let us say if it goes as per this plan, so how much revenue you see from hotel coming in basically.

Kapil Bagla: On annualized basis on full capacity, okay, I think we should expect revenues in the region of about Rs. 50 crores - Rs. 55 crores.

Yash P.: Rs. 50 crores to Rs. 55 crores, okay. I think my suggestion it will be better if you show F&B revenue for both the businesses separately it will become easier to understand your Hotel business separately and even F&B business for your Theme Park separately.

Kapil Bagla: I would also love to that but I think there is some accounting issue, but we can always see if we can separately do the hotel business. I think probably when once the full hotel is operational we will see how the presentation can be made.

Yash P.: Then let us say with 80% occupancy what you are having now around 80% even your full capacity comes in you are close to 70% in Hotel business you should breakeven in this year. Is not it?

Kapil Bagla: We are EBITDA positive and in the current year itself.

Rakesh Khurmi: From day one we are EBITDA positive and after interest also we will be having something to spare. So it will be cash breakeven for Hotel for sure.

Moderator: Thank you. The next question is from the line of Manish Poddar from Religare Capital. Please go ahead. Manish, your line is unmated.

Manish Poddar: So just wanted to understand forward things, so you mentioned you have taken a price increase of about 28% so if I get that correct you have ticketing cost and you have taken a price increase to offset the Service Tax including the price hike which you are going to take up for this year, right or is there any more price hikes which you anticipate for this year?

Kapil Bagla: No.

Manish Poddar: Nothing of that sort, right. And could you provide me the split ARPU for Imagica and Aquamagica for this quarter and the base quarter please?

Kapil Bagla: Q4 you are talking about?

Manish Poddar: Yeah, Q4 for both the years, this year and last year.

Rakesh Khurmi: Q4FY16 for Theme Park, the total it is Rs.1,693 Crs; ticket is Rs.1,193 Crs, F&B Rs.312 Crs; retail merchandize and photo is Rs.121 Crs and others is Rs.66 Crs. For Water Park is Rs.1,221 total; ticket is Rs.764 Crs; F&B is Rs.254 Crs, retail merchandize and photo is Rs.159; and others is Rs.44.

Manish Poddar: Okay. And if you could just give total number not the split of the Q4 FY'15 that will be great.

Rakesh Khurmi: Yeah, so Q4 last year Theme was 1,839 and Water was 1,100.

Manish Poddar: And just a clarity we continue the 30% reduction in price on the Tuesday offers which we have, right? Or that has been called off completely?

Kapil Bagla: That has been discontinued as of now.

Manish Poddar: So that has been discontinued, so if we have to look at it year-on-year in the coming quarter, we have taken a price increase and we will be to the discount which we had in the base quarter that will also get set-off.

Kapil Bagla: Yeah, so I think yeah, you will see a reasonable bump-up in this quarter.

Manish Poddar: Right, that is right. And one more thing in the medium-term, how do I look at the split for Imagica versus Aquamagica? Would it be 65-35 or you know?

Kapil Bagla: Yeah, I think it should continue in that range.

Manish Poddar: So but are we gaining for 65-35 or you know that is where it is going to land up to?

Kapil Bagla: See I think this is a function of seasonality, so I mean you will have a little more skewed shift towards the Water Park during the summer season. But on an annualized basis I think the shift should remain in the region of 65 to 35.

Manish Poddar: Could you call out what is the other income item in this quarter which has been there?

Rakesh Khurmi: You are saying other income in P&L. That is one-time transaction because there is a land transfer done in the subsidiary for that we have a sort of gain we have done it on arms' length and there is a gain because of that.

Kapil Bagla: It is a one-time entry.

Manish Poddar: Okay, that is great, and is it possible by next quarter if you could share this ARPU's split in the presentation itself that will be great.

Kapil Bagla: We will see and we will examine how we can share but I don to see a reason why we should not.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Prabhudas Lilladher. Please go ahead.

Gaurav Jogani: I just wanted to know that the 14% Service Tax that we charge to the customer, do we get any credit for that?

Rakesh Khurmi: Yeah, we get the input credit for all the services for example, we have manpower services, say security, housekeeping side and various other items you know let us say for marketing which is a large chunk all of those bills will have a Service Tax element billed to us as a cost and that we get as input credit.

Gaurav Jogani: So sir like what would be the percentage in all like the credit that we get?

Rakesh Khurmi: Yeah, so input will be I mean I think the total will be around 7%, 6% to 7%.

Gaurav Jogani: 7%, okay. And sir, in terms of the Hotel scaling up in the previous call we mentioned that we should be able to get it done by Q4 so, like what has been the reason for the delay for scaling up the hotel, the rest of the rooms basically?

Kapil Bagla: Largely, it is to do with the permission actually and government approval.

Moderator: Thank you. That was the last question, I now hand the conference over to the management for their closing comments.

Kapil Bagla: Okay, thank you, all. I think there are a couple of points that I would like to highlight and this would be the theme of the current financial year. Point number one is that we will continue our experiment on ARPUs and so we will see realization we are endeavoring hard to improve our realization. So, that is theme number one and we will probably see how these increased realization impacts our overall business and we will continue to strategies going there. Item #2 is that we will continue to focus on our cost and we will do all our strategies which is of footfall revenue, cost, etc., with a very-very strong focus to probably to a cash breakeven level in the current financial year. The third is that we would work hard to present a road map for land monetization which will give us some sense of our debt reduction plan in the medium-term basis. And point number four is that we will continue to expand our strategy in non-catchment market and make Imagica as a holiday destination or as I would say a multi-day holiday destination. So this is the theme that we are going to pursue in this financial year for our business. Thank you very much.

Moderator: Thank you. 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.