“Adlabs Entertainment Limited Q4 FY 2017 Earnings Conference Call”

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

Moderator Ladies and gentlemen good day and welcome to the Q4 FY 17 Earnings Conference Call of Adlabs Entertainment Ltd. Conference Call may contain forward-looking statements about the Company which are based on the belief, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a remainder, 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Kapil Bagla: Good afternoon everybody, I welcome you all to the Earnings Call for Q4 FY 17 Results. As some of you would have seen the performance has been reasonably good for the Q4 in comparison to the corresponding quarter last year.

The total operating revenues for Q4 stand at Rs. 55.65 crores vis-à-vis Rs. 53.09 crores in the corresponding quarter in the previous year signifying a growth of 5% on year-on-year basis. However, the EBITDA for Q4 stands at Rs. 11.83 crores versus Rs. 7.01 crores in the corresponding quarter last year, signifying a growth of 67%. So consequently, the EBITDA margins have increased to 21% from 13.3% in the previous quarter. So, I think operating performance on the EBITDA level has been reasonably robust for Q4. On an annualized basis, the revenues for FY 17 stand at Rs.239 crores versus Rs. 234 crores in the previous year which is a growth of 2%. The EBITDA for FY 17 stand at Rs. 60.85 crores versus Rs. 40.12 crores signifying a growth of 52%.

And the footfalls for all the parks put together for FY 17 stand at 15.44 lakhs versus 15.54 lakhs in the previous year. As you would observe from the performance of Q4 we have reversed the trend of bit of revenue reduction and foot fall reduction that we have seen the first nine months of FY 17 and improved our margins quite a bit. Further like any other consumer industry the effect of demonetization on our business which was visible in Q3 FY 17, did not show any major impact in the performance of Q4 FY 17.

I would now like to take you through some of the key highlights and developments in Q4.

First on the pricing and ARPU front as discussed in my last earnings speech, we have re-introduced deal days in the form of Happy Tuesdays and Wat-a-Wednesdays with effect from January 2017. The special pricing, deal day pricing is for a limited quota on Tuesdays and Wednesdays and has not triggered any material shift from full paying customers on these days. Our overall ARPU for theme park and water park has improved by 4% over the corresponding quarter for FY 17 and non-ticketing ARPU's have actually grown by 11%, so I think there is a reasonable growth in ARPU for Q4.

The other highlight has been the operational cost rationalization, in our continuous effort to optimize the Companies operating cost, it has resulted in the reduction of 6% in the overall operating cost of the company and 8% in the operating cost of the park business. This cost reduction is more or less permanent in nature and we will observe the positive impact of the same continuing in FY 18 performance as well. So, due to the above improvement in Footfall realization as well as the cost reduction in the Q4 FY 17 EBITDA has increased by 67% and the margins have improved to 21%. The performance of the Hotel, Novotel Imagica continues to be robust with the average occupancy at 81% and overall ARR including F&B of Rs. 10,982 out of which room ARR is about Rs. 6,880 and F&B ARR of approximately Rs. 3,100. This is the growth of 12% over the corresponding quarter previous year. In this quarter, we have seen good demand from Corporate and MICE segment as well as social segment. In fact, we have hosted 4 destination weddings in Novotel Imagica in Q4 of FY 17.

While we have completed the interiors and construction work of the balance 171 rooms and have applied for operating permissions with the various government departments namely fire, town planning, MPCB, PWD and collectors, getting operating permissions is becoming a little time-consuming process and it is taking substantially more time than expected. During the inspections of MOEF, MPCB and town planning departments they had made some observation and some modifications and amendments were required in some of the facilities which have been rectified. Now we are putting our best efforts to get the permissions as soon as possible.

One another development in Q4 has been the investment by Bennett & Coleman Company, the media and investment arms of the Times Group (BCCL). They have agreed to invest in AEL through the subscription of equity shares & convertible warrants and extend the line of credit to support the funding requirements towards marketing, through advertising in print and non-print media. The said investment will augment the medium-term resources of the company for marketing and will facilitated AEL to leverage upon BCCL platform and expand its brand reach.

So in line with that the board of AEL have approved an issue of 12.63 lakhs equity shares and convertible warrant amounting to Rs. 25 crores on the preferential basis to BCCL. Share holders' approval I believe is in the process; postal ballot will be out on 8th of June.

Let me now just take you over to some of the strategies for FY 17-18 and outlook for Q1 FY 18. As in FY 17 our focus for FY 18 will continue to be EBITDA growth, margin expansion, improve footfalls and rationalization of cost. And we are committed to pursue this target very, very aggressive. Another focus area for FY 18 would be the balance sheet of the company. I think with the operating performance of the Company now stabilizing and improving we are now focused towards correcting our balance sheet which is largely towards our debt, either debt reduction or debt rationalization and debt repayment to our banks.

In line with our above objective we are pleased to share that our interest rate on long terms borrowings have been reduced to 11% from the earlier levels of 12.4% which is a reduction of about 140 basis points with effect from June 2017. We have already received sanctions from 10 Banks out of the 13 Banks consortium and the balance approvals are expected in the next two or three weeks. Consequent to this our annual interest outgo will be reduced by approximately Rs.15 crores from the current levels. We will continue to explore various other strategies to rationalize our debt obligations in discussions with the banks.

As far as the operating business of the company is concerned for Q1 particularly which is our main quarter, in order to improve business as well as footfalls in the park we are introducing various enablers for our guest to access the park in a convenient manner.

In this regards we have tied up with Ola for offering home to home cab services to Imagica from Mumbai and nearby suburbs. Simultaneously we are also pushing our Park plus car packages aggressively to tie up with various cab operators from Mumbai, Pune, and Thane. All our efforts including the marketing as you would have seen for Imagica in Q1, our trend for the first two months is an improvement of 20% on our footfalls as we have observed so far in Q1.

In order to further provide to our guests particularly children some more entertainment options in the park, we are in process of developing an unique family entertainment center inside Imagica by renting our building space to an FEC operator. We are targeting this facility to be available to our guest from Q2 onwards, so this will be an add on facility that will be available in Imagica in Q2. We also feel that music events which was very similar to New Year Eve program, which was very successful could be an additional revenue source for the company and we are exploring tie ups with various reputed events management companies to organize such events at the park.

A combination of entertainment along with a theme park experience is a unique experience and USP of Imagica versus other options. In line with this we are organizing an Imagica anniversary Bash on 27th May, with the performance of star DJ Chethak and DJ Anish Sood. This event will be managed by Cox & Kings Events.

I think everybody is curious about the issue of GST, the rate is being finalized now, the recent GST recommendations have put a rate of 28% GST under park tickets, 12% on F&B at the park and 28% on the room rates at our 5-star Hotel. The rates on the park tickets are in line with our current rates which is 15% service tax and 15% entertainment tax for which we have exemption for. We are now working for a suitable refund mechanism of the State GST in lieu of the Entertainment exemption that we share, and this is in line with all the other area based exemptions for other industries as well which the Government is finalizing the procedure now. Once the fine print and process is clear we will work out the pricing so the cost of the customer does not change much.

As far as the F&B is concerned, there might be a net impact of 4 to 6% on our AC restaurants which will be passed on to the customers and for the Hotel the net impact should be about 3 to 4% which will again be passed on to the customer. As such the overall impact of GST is only very marginal for us, so that way we should consider the GST tax which is finalized for our industry to be neutral to us.

The other part that I was earlier sharing was about the issue of deleveraging and trying to optimize our debt. We have surplus land of 171 acres for which we have got a township permission for part of the land. We are seeing a new impetus to real estate development in the country in the last two or three months. And I think with this impetus and with the government's focus towards infrastructure and real estate development we are putting all our efforts now to get the approvals for the balanced land and for the township as well as the other clearances on a fast track basis.

And I am quite hopeful that we should be able generate some cash flows out of the plan monetization in FY 18 as well. With these thoughts, I would like to hand over to my CFO Mr. Mayuresh Kore who will discuss the financials of Q4, 2017 and other financial details. Thank you.

Mayuresh Kore: Thanks Kapil and good evening everyone. I will now dwell upon the results in detail for Q4 FY 17 and the year ended FY 17. The footfalls achieved for Q4 FY 17 are 3.98 lakhs vis-à-vis 3.17 lakhs for Q4 FY 16. The breakup in the current quarter is as follows. Theme park we registered footfalls of 2.02 lakhs, in water park 1.07 lakhs and in snow park 0.89 lakhs. The revenues for the theme park and water park stand at Rs. 45.54 crores, for Hotel at Rs. 9.34 crores and the snow park at Rs. 0.79 crores. The total revenues for Q4 stand at Rs. 55.67 crores and the total revenues for the 12-month ended March 2017 stand at Rs. 238.99 crores as compared to Rs. 233.98 crores for the 12 months ended March 2016, a growth of 2% over the previous year.

The gross realizations per visitor for Q4 for Theme Park and water park, the weighted average ARPU is Rs. 1,477 versus Rs. 1,421 in the last year Q4, signifying the growth of 4%. Within this the theme park ARPU for Q4 FY 17 is Rs. 1,588 versus Rs. 1,540 in last year Q4, there is a growth of 3%. Within this the ticketing ARPU is flat while the non-ticketing ARPU is up by 11%. The water park ARPU for Q4 FY 17 is Rs. 1,269 versus Rs. 1,665 in the last years Q4 which is the growth of 9% and within this the ticketing ARPU is up by 7% and non-ticketing is up by 13%.

I will summarize the above statistics for the 12-month ended March 2017 as well. For the 12-month ended March 2017 the weighted average ARPU for theme park and water park is Rs. 1,644 versus Rs. 1,403 that's the growth of 17%. Within this the theme park ARPU is Rs. 1,836 versus Rs. 1,576 last year which is again a strong growth of 17%. Within this the ticketing ARPU is up by 18.5% and the non-ticketing is up by 11%. The water park ARPU for FY 17 stands Rs. 1,351 versus Rs. 1,112 is last year a strong growth of 22%. Within this the ticketing ARPU is up by 27% and the non-ticketing ARPU is up by 13%.

Coming to the EBITDA for Q4 FY 17, it stands at Rs. 11.83 crores versus the EBITDA of Rs.7.07 crores a sizeable improvement of 67% over the corresponding quarter in the previous year. As you are aware that the management's effort for this year were directed towards improving our margins and accordingly for the full year FY 17, our EBITDA stands at Rs. 60.85 crores versus an EBITDA of Rs. 40.12 crores for FY 16 an improvement of 52% over the previous year. The EBITDA margins this year have been 26% versus 17% in the previous year. We feel that this EBITDA jump this year could have been higher but for the business that we missed out during the peak months of November, December post the demonetization announcement on 8th November 2016.

I will come back to the Hotel performance for this quarter and as Kapil mentioned, the Hotel continues with its strong performance and has thrown capacity utilization of 81% for Q4 and a ARR, including F&B, of Rs. 11,060. The break up been as follows. The room ARR is Rs. 6,948 and F&B and other ARR being Rs. 4,112. In the previous quarter the Hotel had an occupancy of 78% and an ARR of Rs. 9,898 in Q4 FY 16.

As regards to the 12 months ended in March 2017 the occupancy for Novotel Imagica is 74% with an ARR including F&B being Rs. 10,946. The cost related highlights for Q4 are as follows. The overall operating costs for Q4 including hotel have decline by 5% as compared to last year's Q4, down from Rs. 46.02 crores to Rs. 43.84 crores. Herein notably the fix operating cost for the park business have come down by Rs. 2.18 crores in this quarter, that is around Rs.0.73 crores per month on account of our ongoing efforts to optimize cost and take the benefit of synergies between various assets. The cost related to employee benefits have reduced by an absolute amount of Rs. 1.4 crores which is resultant of strategic manpower rationalization.

In other expenses head as well there is a notable savings in power and fuel costs, repair and maintenance cost and admin cost to the extent of Rs. 1.17 crores. In this the power and fuel cost have come down by Rs. 86.5 lakhs due to efficient withdrawals from open access and repair & maintenance cost have come down by Rs. 33.20 lakhs due to indigenization of some consumables. Coming to the interest cost the trailing rate of interest on our borrowings is 12.5% and accordingly the finance cost for Q4 stands at Rs. 30.97 crores. Nearly all of our lenders have already approved a lower rate of interest of 11% per annum which is expected to result in sizeable savings in cash out flow in FY 18. The debt outstanding as on 31st March 2017 stands at Rs. 1,003 crores.

As Kapil mentioned we are initiated talk with our lenders to realign our debt in line with the expected cash flows under the 5/25 scheme of RBI, which will extend our repayment schedule further and align with our future cash flows. The important point of GST has been discussed in detail by Kapil and we have to decide on the future course of action based upon the pricing. As Kapil mentioned that the GST applicable for the park tickets currently which is at 15% entertainment tax and 15% service tax, is now combined to give a 28% GST for which we are talking with the state government, for a refund of the entertainment tax component. With this we would like to now open the floor for question and answers.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Shadab Khan who is an investor. Please go ahead.

Shadab Khan: Yeah. If we compare the footfalls for theme parks and water parks by excluding this snow park, footfalls are essentially flat or marginally down, despite of introducing the Happy Tuesday and all, we seem to be struggling to get a footfall growth, can you elaborate on that?

Kapil Bagla: See the strategy that we have changed in January was that we felt it may be a little to do with offering certain customers a price point which we were unable to offer in the first nine months. And whenever we have change the strategy it takes a little while to get the momentum. So, if you see January, if you see February and if you see March we have seen continuous momentum increase from month on month. In fact, for March this year, just to give you an idea, we were recorded the highest footfall ever in the history of March for our business in the last four years. So, it takes time for the momentum to come when you introduce any price changes and I think that momentum is continuing in this current financial year in Q1, wherein we are witnessing a 20% growth in footfalls.

Shadab Khan: Okay and our pricing, if you compared it to the past two years, apart from Happy Tuesday the headline prices are lowest we have seen in the last two or three years, that's correct, right? I mean is that part of our conscious strategy? Because last year we have were focusing on demonetization but now we seem to have a decreased the prices further?

Kapil Bagla: No. I don't think our headline prices have changed.

Shadab Khan: This year it was Rs. 1,899 right and last year it was Rs. 1,999.

Kapil Bagla: Rs. 1,999 was including taxes and this time it is Rs. 1,899 plus taxes. So effectively our net realization is higher than what we had in the last year.

Mayuresh Kore: Yeah, I think the difference is passing on the service taxes, if you see the pricing, for example Happy Tuesday the pricing unlike the previous Happy Tuesday, it is now plus service tax, so the net impact to the customer is higher but it will not reflect in our ARPU.

Kapil Bagla: In fact, the net price for a customer is Rs. 1150 for Happy Tuesday that is along the limited quota that we have.

Shadab Khan: Yeah but the service tax we started passing on starting June last year, if I am not mistaken?

Mayuresh Kore: The service tax incidence was in June; however, we did not pass it on the guest immediately, that was done at the end of a Financial year FY16.

Shadab Khan: So I mean June-July prices also would be Rs. 1,299 right I mean that's the pricing which we are settled for?

Kapil Bagla: If you compare the Q1 result when the Q1 results come that will be in parity because last year Q1 and this year Q1 we were plus taxes. So we will have to wait for the Q1 numbers to come.

Shadab Khan: Also, could you elaborate on the kids and family entertainment option which you mentioned I think I have missed out, could you elaborate on this, it will be addition to the Theme Park?

Kapil Bagla: We had constructed certain retail spaces, it is like a mall retail space inside the park, which was empty. So, the way it typically happens in any international park, the park consists of a retail, dinning, and entertainment options. Dinning which is food services, we have already done, and retail we were already doing in terms of merchandising, the element that I was mentioning was indoor entertainment, so which is the gaming activity. So, this is the Gaming activity that we are now introducing like bowling in the park.

Shadab Khan: So it will just like revenue sharing, just like revenue sharing…

Kapil Bagla: It will be a revenue sharing business, we will get the revenue shares in this thing and the FEC operator will be operating.

Moderator: Thank you very much. We have the next question from the line of Mr. Mahindra Jain from Way2Wealth. Please go ahead.

Mahinder Jain: My question is regarding the outstanding debt which is around Rs. 1,000 crores and every year we are losing around Rs.100 crores as interest in the last 2-3 years and our net worth is getting eroded. Last our equity was Rs. 600 crores in March ‘16 the whole net worth plus Rs. 1,000 crores debt right now. We lost Rs.117 crores during this year so how much time will it take to monetize the land and to what portion of the debt will be able to for this year?

Mayuresh Kore: One is that the PAT impact is not just there due to the interest but also due to the depreciation that is about Rs.75 to 80 crores a year. See typically the way the land monetization works, is that if you go through a development mode where you are sharing revenues with the developer, okay, in the surplus land there is a potential of development of about 5 to 6 million square foot. And the current rate going around in our area in terms of FSI is about Rs. 5000 to 6000 a square foot. The revenue share that typically accrues to the land owner is in the region of about 18% to 20% and if you do a calculation there is a revenue potential accruing to us of about Rs. 500 to 600 crores. Now revenue potential doesn’t accrue on year one, year two, year three, it accrues over the period of 7-8 years of development. And I think the way it is structured, it actually marries our debt profile and our debt repayment schedule so technically this becomes like a buffer to us when the exploitation actually starts. Now there is one option that happens subsequently once you get all the permissions, once the developer is ready to start the project and at that point in time considering the market while you can get to even sell a part of the land that you have, okay but we are little away from that situation right now that’s why I told you that we are concentrating on getting the permissions today so that our salability of the land and value of the land improves significantly.

Mahinder Jain: Okay. Sir looking at the model of the business, you are even planning for expansions. So is this model worth to expand or is there any other advantages like expanding in North or Hyderabad or what you were talking last time? Because land monetization looks to be like a 7-8 year' process, the market is quite slow and all those things so, I am worried about the Rs. 1,000 crores debt, we cannot serve it in our model of business that is the main worry.

Kapil Bagla: See this was the model project in which we wanted to do everything ourselves, so it was a bottoms up project which was a flagship project so we kind of built and owned everything and also owned surplus. From the start it was a long gestation project. Okay, but what we have been able to do is develop a very strong IP that means all the attractions, all the technology whatever we have done we have developed the IP. Now going forward, as I said earlier on expansion in Delhi will be a low-cost expansion model where we would exploit our IP that we have already created in this park and we will not go for land acquisition.

Mahinder Jain: Okay, like an asset-light model.

Kapil Bagla: It's an asset-light model.

Moderator: Thank you very much. We have the next question from the line of Ruhi Seth from Kanaya Investment. Please go ahead.

Ruhi Seth: Sir you were just discussing something about debt with the person who joined earlier, just wanted to get a little more clarity on if you have any strategy of debt reduction over the next couple of years?

Kapil Bagla: I think there are multiple strategies and I will say something and I will ask Mayuresh also to join in as and when he feels like. We have a certain debt level at this point in time. Okay, but against that debt what are the assets that we have or we own? One is the surplus land that we have. Now typically a debt has a repayment schedule and I was explaining to the previous gentlemen and if you were on the call the exploitation of land through a joint development mode also marries to a part of the repayment schedule of the debt. So while we feel that our business will sustain and our business will be able to sustain the debt that we have at this point of time, but the land monetization cash flow will actually accelerate the servicing of debt. So that is one strategy that we will definitely follow. Aside of that, the reduction on interest rates that we had envisaged I think that is now we have worked hard for the last 3-4 months and now effective June we will get a reduction of interest rate by around 150-140 basis points which is an annual saving of about Rs.15 crores in interest cost so that is a large item.

Mayuresh Kore: I will just add to it. I mentioned before that the RBI came up with the guideline in November 2016 which offered the scheme of 5/25 which is extending your repayment schedule in line with the economic life of the project and this was hitherto only applicable for only core industries and it was extended to non-core industries and this includes our project as well now since November onwards. So this has given an excellent opportunity for us to realign the debt to a much longer tenure and from a current residual tenure from 2018 to 2024 they are looking forward to extent the repayment schedule by another 5-6 years which will give adequate buffer to us in line with the land monetization plans that Kapil mentioned. As you know theme park is a high operating leverage business. We are at the stage where we are looking forward to reducing the fix operating costs and as you have seen the growth in EBITDA margins. So, going ahead in the next two-three years, the margins from the current 26% we can reach at higher 35-40% within a short span of time within a marginal or moderate increase in footfalls and then the overall debt doesn't look as magnified as it does presently.

Ruhi Seth: Sir you mentioned that land monetization would help us with the debt condition can you give us some sort of timeline, when and how you are just looking at it?

Kapil Bagla: So I don't know whether you are tracking the company, part of the land, we have already received a locational clearance for the township for about 88 acres out of 171 acres, for that piece of land we have already signed letter of intent with Rustomjee and Axis spaces some large developers in Mumbai. We are waiting for the permission of Environment and town planning for the planning to start now. I feel the next 12 to 18 months we should see the developments to start and when the permission comes in there is always a terms provide and upfront deposit to us which will also be handy in terms of taking caring of our cash flows. So, I think in the next 12 to 18 months you will see some reasonable progress towards the land monetization front.

Ruhi Seth: Sir also regarding the Delhi Park do you have any updates on when we could be seeing or any fund raise would be required for us?

Kapil Bagla: I think at this point in time we are only evaluating options, nothing has been finalized. I can only tell you that the model we are following for Delhi is a asset-light model, it will be in the form of a JV and we will not be participating into any land acquisition for that. So I think during the year we will update you as the progress happens.

Ruhi Seth: Sir any other location in the country that you have been evaluating apart from Delhi?

Kapil Bagla: As of now it's Delhi only.

Moderator: Thank you very much. We have the next question from the line of Ravi Jain. Please go ahead.

Ravi Jain: Yeah Sir I wanted to know that recently we have introduced very good offers regarding Happy Tuesday and Wat-a-Wednesday and we had a very successful holiday season also. So I was expecting that the revenue will be much, much better because earlier also when we introduced these offers we have given tremendous result, so can you segregate the effect that additional revenue we got because of this offer to the extent of 5% or 10% like that?

Kapil Bagla: See right now we are talking about Q4 and we introduce this thing sometime in mid of January. Any new pricing strategy to actually yield fruit, it takes a little while for promotions to gather which is why I told you if you see from January to February to March, March this new pricing actually caught on. So in March we witnessed highest footfall ever during the history of Imagica. So I would say a deal price introduction would be seen much more prominently in footfalls in Q1 and which is why the first 45 days, we are seeing about 20% growth in footfalls in Q1.

Ravi Jain: Sir can we expect these offers to continue in the near future also?

Kapil Bagla: See we are a dynamic organization and we keep on having lot of promotions just to attract customer interest. So our plan is to continue with these offers. We may tweak certain offers depending on the demand.

Ravi Jain: Okay and sir for this Q4 had we not introduced these offers, our revenue would have been a down by what percent, can you illuminate that?

Kapil Bagla: Difficult to give a guess I will not speculate on the number maybe we would like to evaluate how we do in Q1 and then take a call how thing evolves.

Ravi Jain: Okay. Sir my second question is by how many quarters or how many years we can expect to be profitable?

Kapil Bagla: The next target should be what is called as the cash positive, I think you will realize that what we are doing towards debt reorganization, interest rate reduction and everything of that sort. We are quite positive that we will be near cash positive in FY18. But definitely in FY 19 we should be targeting towards net profit.

Ravi Jain: Okay if we see Q4 our net loss is something around Rs. 30 crores, and overall revenues is around Rs. 54 crores, so our loss is 55% of our revenues, so we need to double it.

Kapil Bagla: That is the point so basically because the costs are fixed in nature and in this two quarters which is Q2 and Q4 the bottom line is strained a little bit, but what we should be concerned with is that a large element of net loss is on account of non-cash items like deprecations and also reduction in provision and write-back on the deferred tax items, if you see what has happened to this year, the deferred taxation has almost come down by 50%.

Moderator: Thank you very much. We have the next question from the line of Shrinivas who is an individual investor. Please go ahead.

Shrinivas: I want to know about the balance of hotel rooms I think you told in the last conference call that it can be done by start of this quarter, but I didn't get any news about that?

Kapil Bagla: We are at it, it is just the process approval which is taking a little more time as I said. So you know any hotel goes through multiple rounds of inspections and permissions from multiple agencies which Fire, Pollution Control and MPCB, town planning and stuff like that. So in this last round during inspections there were some modifications suggested which has been now carried out and I think we are in full vigil to get the approval quite quickly. We are quite hopeful that in the next one or two months, in this quarter at least we should get our balance approval for operations.

Shrinivas: Sir in this quarter it will done like Q1?

Kapil Bagla: Yes, because see the rooms are ready it just the operating approval which are pending.

Shrinivas: Apparently this is the same thing which you told in the last quarter also?

Mayuresh Kore: We can expect some revenues from Q2 onwards, I think we are gunning for that.

Shrinivas: And about the land monetization you said it's already done the approvals but this time again you are saying something like environment approval and some other stuff?

Kapil Bagla: If you have understood correctly we had one of the approvals which is the location clearance which is the main approval, but in order to get into development, you require three more approvals. Last time I also mentioned that we are in the process of getting those approvals which is environment, master plan approval as well as the building plan approval. So while the building plan approval is in the scope of the developer, the master plan and the environment approval is in the scope of the land owner. So we have already applied and our process is going on, it normally takes about 10 to 12 months for an MOEF approval minimum, that's a time limit that you typically get.

Shrinivas: For all the approvals you are saying?

Kapil Bagla: That's why I mentioned to the lady that was asking me the timeline, I think we should expect real action on ground to happen in next 12 to 18 months in the land monetization matter.

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

Deepak Kapoor: Just one question, is disposing your surplus land upfront is not a feasible option?

Kapil Bagla: See it depends on what is the demand pattern, I feel about a couple of years back the industry of real estate was down, you all know that, it's in the last two or three months that we have received an impetus on infrastructure, housing and affordable housing. So, as we speak there has been an interest amongst the developers to talk to us, not only in terms of expansion on a JDA development model but also on a sales model. But really speaking we will see how the pricing goes and if we feel that the price is good enough for us we are open to a suggestion of upfront disposal as well.

Deepak Kapoor: So you're willing to explore that because it does look like an in your geography and that the demand for affordable housing has really kicked up a lot of interest among everybody.

Kapil Bagla: You have seen the development that is happening in Panvel.

Deepak Kapoor: Yes, it's fantastic but the debt is such a drag on your operating business.

Kapil Bagla: Which is why we are absolutely open and we are actually working hard on the balance sheet side in this financial year.

Deepak Kapoor: So all the debt on the balance sheet is actually debt raised against the core theme park business?

Kapil Bagla: I mean when we say core theme park is core theme park and hotel.

Deepak Kapoor: And hotel okay. So this surplus land I am sorry I don't know the history, how does so much of land come on to the book was it the project?

Kapil Bagla: The strategy of the project was to acquire land which is larger because we were following an international model, wherever you see international successful theme park, Disney, Universal, Sentosa, Florida, Ganti, what happen was that when you take an anchor and you have land around it, there is value that is created around yourself, so the idea was that how quickly can we derive value out of it. Unfortunately, the real estate cycle when the park becomes operational went through a little bit of a downturn and which we expect to revive now. So, it is not long we are just four years old in terms of our history of operations, all these parks are 20-25 years old so maybe in the next 12 to 18 months in the real estate cycle is showing signs of revival, this will be an asset to us.

Deepak Kapoor: Could you give me an indication of at what price this land was acquired?

Kapil Bagla: The Book value is about Rs.75 lakhs an acre.

Moderator: Thank you very much as there are no further questions I would now like to hand the conference back to the management for any closing comments.

Kapil Bagla: I think I would like to leave the investors with two thoughts from my side – one is that the management is very, very cognizant of the leverage on the books and the debt on the books. And I think we are exploring every strategy to rationalize debt, to reduce interest cost and to monetize land. As a team including the Chairman as well as the CFO we are doing all it needs, to try and do the best possible realization and reduction of debt, that is one focus area that we are working on. And secondly, as far as the operation of business is concerned our key focus is to improve cash flows which is improved margins and improved EBITDA. So whether we do it by way of increasing of footfalls or by growth of ARPU or by reduction of costs whatever it takes to so that the bottom line becomes better, I think we are exploring that. We would only leave with a thought, had the government been a little more benevolent to us and would have made the GST rate at 18% instead of 28%, we would have been much happier as far as the amusement park industry is concerned. Because independently I think this is a high rate of taxation for social infrastructure like amusement park that we have created but we have to live with it and we will obviously adapt our business model to what is there in line for us. So thank you very much and we hope to see you again in Q1 after about three and half months. Thank you.

Mayuresh Kore: Thank you all.

Moderator: On behalf of Adlabs Entertainment Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.