



ADLABS Entertainment Limited

“Adlabs Entertainment Limited Q4 FY2015 Conference Call”

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ADLABS Entertainment Limited



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Moderator: Ladies and gentlemen good day and welcome to the Adlabs Entertainment Limited Q4 FY15 Conference Call. This conference call may contain forward looking statements about the company which are based on the belief, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves 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 '*' 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 Limited. Thank you and over to you sir.

Kapil Bagla: Good afternoon friends. First of all I welcome you all for discussions on our first earnings call to discuss the full year performance of FY15. Along with me I have Mr. Rakesh Khurmi – our CFO, and Strategic growth advisor our Investor Relations Advisor. I would like to thank you all for being part of our success in the IPO and your continued support thereafter. Since this is our maiden call I would like to start by giving a brief introduction about the company Adlabs Entertainment.

So Adlabs Entertainment owns and operates and integrated one stop family entertainment destination near Mumbai, created by world's leading designers, vendors, and suppliers. The destination includes Adlabs Imagica a theme park, Adlabs Aquamagica the Water Park and Novotel Imagica and 287 room family hotel. Adlabs Imagica is India's first and only international standard theme park offering fun, thrill, entertainment, dinning, shopping at a single location. It's an all-weather park with 25 rides and attractions, targeted at visitors from all age groups and apart from all the rides and attractions it has five theme restaurants, a number of kiosk eating options and number of stores for retail and merchandising which sell Imagica branded merchandise. Imagica was fully operational since November 2013. Our Water Park Adlabs Aquamagica is located adjacent to our theme park, the Water Park has been modeled on a very contemporary Mykonos theme with various structures, painting in white and blue tones. Aquamagica has 14 thrilling rides and 7 exquisite restaurants. Rides again have been sourced from global vendors and many of the rides are for the first time available in this country for our guest.

Our 287 room family hotel now branded as Novotel Imagica is currently under construction and we expect that the first phase of 116 keys will completed by Q2 FY16 and will be opened to public. Once the hotel is operational, we will emerge as a complete holiday destination which will invite visitors from across the country. We

feel that currently there is a significant gap in the market for world class live entertainment destination in the country. India has till date seen only small and mid-level amusement parks that are designed to deliver fun and entertainment. Our endeavor was to bring a world class theme park experience into the country, we wanted India to experience a theme park which has a central idea with unique setting, unique themes and world class experience. Our park has been designed by international designer and the rides and equipment's are supplied by global OEMs. These designers and OEMs have been associated with various large format theme parks across the world. Since it's operation in November 2013 we have seen a tremendous response of visitors from the park, we have seen increase of in footfalls many fold with every passing month. On an annual basis our footfalls for FY15 were 1.06 million which is 10,64,493 vis-à-vis 0.8 million which is 8,14,924 for FY14 which signifies a growth of 30.6%. We have therefore seen a growth of 82.5% in our FY15 revenues as compared to the last year. FY15 has really been a built up year and an execution year for us, during the year the Water Park became operational in October and the hotel was nearing completion. The finances of the company were augmented to the IPO process. However the last six months we have concentrated in building the blocks for our marketing and sales. The marketing has added focus on positioning Adlabs as one of the most promising tourist entertainment destination. The sales team have ramped up their distribution networks of agents, sales force on the ground and their presence in non-catchment area. All these efforts have resulted in us witnessing some very interesting trends currently.

For example in April 15 this year our footfalls have increased 5 fold over the previous year. We have recorded in May on 26th May to be precise highest every single day footfall in our park which is a footfall of 17,250 guest. As envisaged the Water Park and theme park as a combination are working very well for us, they are complementing each other while the theme park is attracting large crowds, families, and larger groups. The Water Park is catering to youth and the college segment, hence clearly we are touching both the TG, two TGs which are very-varied with both our parks. Again our sales and distribution and travel agent network have picked up very well, we have added 950 agents since January 2015 creating a total agent based of 2500. These agents are hands and leg to take the offerings of the park to the prospective customers. We are now projecting our offerings as an integrated holiday destination the metro and mini metros that we have targeted cities that we have targeted are Ahmedabad, Surat, Indore, Hyderabad, Bangalore, Delhi and NCR, Nasik, Aurangabad, Jaipur and Vadodara. So approximately 12 mini metros, and metros we have identified which will have focused attention by our agents, by our PSAs we will appoint PSAs which are the primary agents in these markets and we

will link their ticketing through our online B2B platform. Our online B2B platform is a very robust ticketing platform which can book tickets and packages on behalf of the customers through the agents on an online basis.

The other trend that we are seeing in this currently is that the non- catchment footfalls which is from states from Gujarat from rest of Maharashtra apart from the catchment which is Mumbai and Pune and also rest of India have seen a distinct increase. Our advertising campaign has been very responsive and we have targeted now this campaign on an all India basis, we have advertised on IPL, I am sure some of you must have seen our ads and some marquee properties. Also our digital marketing has reached a level of maturity and activeness with transaction volumes increasing almost 18% over the previous quarter. We have experimented also in this season, we have launched what is called as a happy Tuesday offer which has an entry price of Rs. 999 and this property and this offering has shown some tremendous traction. With this we are able to sample a segment of the population who are price conscious but are still aspirational. Now they got the opportunity to enjoy Imagica. So a normal dull, middle of the week Tuesday has transformed itself into a busy and buzzing day and we have seen great success and improved our capacity utilization tremendously on this day. With just a 30% discount on pricing we are seeing over 300% growth in footfall on this offering. So these are some of the trends that we have been witnessing currently. As far as our medium term or long term strategies are concerned just to give you a sense first is the expansion of our existing theme park in Mumbai wherein we have undertaken to add new attraction so the first of the attraction which is the snow park is under construction right now and we hope that the snow park will be operational by end of Q3 or early Q4 of this financial year. We are also working on the Adventure Park the concept and planning for the Adventure Park is already done and we will shortly get into an execution of this offering and hopefully we would need about six to eight months to complete the Adventure Park. So with the addition of the snow park and the Adventure Park in this current financial year we will further enhance our positioning of Imagica as a one stop by entertainment destination and the offering will cut across various categories of visitors which is families which are corporates and children.

Further our intention is to add at least three or four large format rides and attraction in the next five years so I think we will continue with our plan of increasing offerings at the park to improve repeat visitation as well as footfalls. The other very interesting fact is that you are aware that we have about 302 acres of land in the company out of which 170 acres of land is a surplus land. We as the destination builds up, we have seen that the land which is adjacent towards this destination becomes very valuable you have seen examples for what happened in Sentosa, Florida and Dubai and many

other destinations where theme parks have become an anchor and development of land across, China has been following this model all around. So are 100% subsidiary Walkwater properties has applied to the government of Maharashtra for an approval for a special township Walkwater going forward will engage with reputed developers in the development of the township and monetization of this surplus land. This will lead to alternative sources of cash flow and income for the company and holistically also help in debt reduction in the medium term.

Apart from that we are keeping our eyes open for geographical expansion of theme park in the country, we feel that there is an opportunity to have two more such parks in the country one is South India and one is North India so we were continuously exploring the opportunity of expansion and at the right time when our cash flows became stable we will continue to work towards growing at it. So coming up I would just like to say that the start of this current year has been extremely phenomenal and we are very enthuse with the response that we have received from the guest in this season till date and as anticipated the theme park can the Water Park are complementing each other very well, our marketing campaign, our sales network which we have created over the last six months have activated and have created a very strong demand for Imagica and Aquamagica. So till 31st of May this year we have already witnessed a footfall of 375,000 visitors at our park this year, in comparison to 106,000 visitors in the same period last year. So this is 3.5 times the number that we did in the same two months period last year and I think we are very-very encouraged and enthused by this trend. Theme park has witnessed about 2,05,000 and Water Park about 170,000 visitors. So the emerging positive trends and the current growth momentum and the various strategies to increase footfalls and the launch of the hotel which is anticipated very shortly we are very confident about a great performance in FY16. So as we move along in FY16-17 our revenues in non-ticketing businesses is also tending to increase. Currently passed in India contribute significant portions 85-90% of our revenues out of ticketing but internationally global parks have almost 55% of their revenues coming from non-ticketing so we have a focus area to increase revenues from ticketing and from non-ticketing aspect which is our S&B, sponsorships retails and merchandising and we are already seeing trends of growth in this area. So next couple of years we feel that from our current share of about 24% in ticketing and non-ticketing revenues we should be able to extend to about 35%. So with this interesting phase and interesting pictures that we are seeing in Imagica right now I would now like Rakesh to take you through the financials of FY15. Thank you.

Rakesh Khurmi:

Thanks Kapil. So first let me talk about the profit and loss for the full year, revenue side we have recorded total revenue of Rs. 189 crores for FY15 compared to

approximately Rs. 104 crores last year which is FY14 so we have registered a growth of 82.5% and it's got two components one is the footfall the other is the average realization so on footfall as Kapil highlighted we recorded 10.64 lakhs for FY15 versus 8.14 lakhs of FY14 so we registered a growth of 30.6%. On the gross realization per visitors so weighted average for the parks put together is Rs. 1776 for the year which is about a combination of all of the elements which is ticket, plus F&B plus retail and digi photo and other. So all put together we have recorded average realization of Rs. 1776. On the cost side primarily we have got three line items one is the cost of goods sold, the other is the advertisement sales and marketing and third one is the HR cost these are the major lines items. So on F&B on the cost of goods sold side for F&B business we have 31% as the cost of goods sold. So the margin on F&B business at their contribution level is 69%. And on retail business the cost of goods sold is 46% so the margin is 54% so the weighted average cost of goods sold for both F&B and retail put together is 36%.

On advertisement, sales and marketing we have spent around Rs. 45 crores which is around 24% of the gross revenue and it includes four elements one is the mark on which is the typical advertisement expense also we have included the commission paid to the channel partners and commission paid to the payment gateway and the intermediaries which is also directly sort of variable to the ticket price and also the promotional expenses sales and promotion which we have run in the last year. So on an ongoing basis at least for this year we intent to spend around 15 to 16% of the total revenue on advertisement, sales and marketing. Another major cause for us is the employee cost for full year we have around Rs.48 crores of employee cost which is around 25% of the gross revenue now it has increased in the current year as the Aquamagica was started in October 2014 so cost for this year includes the Water Park which was not included in the previous year. As the Water Park got started in second half of the financial year 2015 interest and depreciation is also higher vis-à-vis the last year. So on the interest side the weighted average rate of interest is 12.9% per annum and just to summaries the EBITDA we have seen EBITDA of approximately Rs.20 crores in FY15 compare to approximately 4 crores in FY14 a growth of approximately 400%.

So moving to the balance sheet, we have a total gross debt of approximately Rs. 1,100 crores as of March 31st. And as you would know we were intending to pay from the IPO proceeds major part as the debt repayment and we have currently paid as of now Rs.245 crores from the IPO proceeds so balance Rs. 25 crores is yet to be paid pending for few approvals from the bank side before we pay and the cross debt approximately now stands at Rs. 865 crores so interest cost once we have fully paid to Rs. 270 crores the interest cost is likely to go down by approximately Rs. 2.9

crores per month so there will be saving of approximately Rs. 3 crores per months once the entire debt is repaid. So as Kapil highlighted we got a surplus land of 170 acres so we intent to develop an integrated township project through a wholly owned subsidiary and once that starts it will help us reduce the debt in the medium term as well. On the service tax as you know so today actually 1st June so we have the service tax applicable which is now at 14%. So till about last year we were having service tax build on the opex side which we were not getting any input credit so approximately 35% of the load of this year on the FY16 is available through the input credit which was not available earlier. From the balance amount we are also planning to give around another 35% we will try to increase the price and pass on to the customer so basically one third is available through the input credit, the another one third is what we are trying to pass on to the customers so there could be some balance impact left which is uncovered and we will see as the year progresses how we can actually look at increasing the price later on so as of now we have taken a call to pass on one third by increasing the price. So this is from my side, so now we throw the floor open for the Q&A.

- Moderator:** Thank you very much sir. We will now begin the question and answer session. Our first question is from the line of Tanmay Sharma from Edelweiss. Please go ahead.
- Tanmay Sharma:** Sir you have this happy Tuesday offer in Imagica do you also have this in Aquamagica?
- Kapil Bagla:** No, Tanmay this is only for Imagica right now.
- Tanmay Sharma:** So why you are not expending this because there is a new offering so first you want to see how it stabilizes.
- Kapil Bagla:** Yes, always you test the product with one thing and then when you see success and people ramping up then you can probably extent it to the other parks but I think yes we will see how it goes and we will see what else can be packaged with it.
- Rakesh Khurmi:** Also the water price, relatively speaking the price is affordable and the from the Imagica side we are trying to do the sensitivity and seeing the last equity.
- Kapil Bagla:** Yes, so I think we are open to suggestions but right now this is the test phase for Imagica.
- Tanmay Sharma:** Sir in terms of the mobile app and the interest booking, and bookmyshow these kind of websites so how much is this as a percentage of the total bookings and the physical

part of the booking through the agent and all that, do you see that coming down further over the longer term say three years?

Kapil Bagla: No, in fact our focus is to migrate bookings on to the internet platform and online booking including app and I think we have seen for our kind of product we are witnessing a very healthy 20 to 22% of our bookings happening through digital or online so, and our average traction side for our booking is in the region of 7-8,000 so I think to that extent we are seeing some very interesting booking trends online and I think we are going to concentrate very strongly to improve online booking.

Rakesh Khurmi: This helps us in better planning as well because pre-booking actually we know the load on a particular day we can much better plan the far more pressures.

Tanmay Sharma: And sir since you are saving on the agent commission also so this should be better margins and if you could tell us how much better is it?

Kapil Bagla: See obviously online bookings are better but you also run promotions every time in online booking the name of the game in e-commerce is it has to be a mix of promotions as well as marketing, so effectively I don't see too much difference, yes there is the only good thing that happened it leads to better planning and it leads to larger number.

Tanmay Sharma: Why I am asking this for example happy Tuesday will there through the agent also so similarly for people team size of 10 and 50 and all that so all those offers will be there on the agent side also so if you could tell us what exactly is in the online you are offering extra?

Kapil Bagla: No, sometimes you have offers that we have in terms of number related offers for example you have situations where you book let say x number of ticket like we have an offer where you book more than 10 tickets together then you have a 10% off or something of that sort so we will keep on running with certain promotions which are applicable to online bookings we will so these promotions are going on, there is definitely an advantage in online booking in terms of cost saving but the agent and the online are basically attracting two different segments of the population so I don't think we can, we should which is relate and comparable the two types of booking engines.

Tanmay Sharma: Sir lastly on the Novotel hotel in the pre IPO also you had said it was going to open soon but now you are saying in Q2 so what has been the reason for the delay?

- Kapil Bagla:** As far as you see all the construction and building is concerned everything is done but, Novotel came on board somewhere around September- October and whenever an intentional brand comes on board they recommend certain modifications certain changes, certain planning which is line with their brand standards so to that and also in terms of gearing up the operational team, training the operational team, all the internet software and booking engines that are required to be done all these things actually resulted in some delay in terms of opening but to that extent these are minor delays in comparison to the size of the project that is happening, so we did not want to compromise on the experience of the Novotel Imagica that we are seeing up so hopefully we have already very strongly near in a completion thing and we should hear some operating news about the hotel very soon.
- Tanmay Sharma:** Sir one small follow up on the footfalls and this is on Q1 so April-May-June if you see the summer season has been extremely tough and most harsh in the past few years, so how does that impact footfalls in your Imagica and Aqua I think it might be a different for the two brands but is it good or is it bad I think it will be an adverse effect so if you could tell us how it has impacted?
- Kapil Bagla:** I don't know how you call it an adverse effect event actually at least in this season we are not seeing any adversity of climate to us. in fact Aquamagica and Imagica are complementing each other our increase in footfall as comparison for the first two months in comparison to the past year has been 3.5x so I think it is a question of what people want to go and there is a very large population of that is intending to travel and consumer entertainment that is what we have seen, aside of that we should also like to tell you even in Imagica we would appreciate that 60% of our attraction are indoor air condition attraction which is unlike any other amusement park here. So that is why we call our self as an all season park, this we are taking care in terms of design, in line with global standards.
- Tanmay Sharma:** Sir 3.5x is including both right I am asking on Imagica specially also are you seeing very robust growth Y-o-Y?
- Kapil Bagla:** Absolutely robust growth yes.
- Moderator:** Thank you. Our next question is from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** It's quite encouraging to see the numbers of Imagica for April and May, so if I understand correctly I think it's almost doubled as compared to last year footfalls.
- Kapil Bagla:** No, footfalls as a destination.

- Jai Doshi:** Imagica for April and May.
- Kapil Bagla:** It's almost doubled, more than doubled.
- Jai Doshi:** Right. So if you could give some color on what are the channels which has helped you to kind of get this incremental growth or may be some sort of mix versus last year to give us some sense of what is driving growth for you.
- Kapil Bagla:** I think as I had pointed out in terms of the current trend there are three factors that we are seeing in this season and this is all planned we get all plan to create this sales infrastructure over a period of time, so one important phenomena that we are seeing this season is the booking that is happening through the channel partners through B2B agents so that is some distinct trend that is visible on the footfall trend. Two what is that our advertising and marketing has now started to register as a brand in the price of consumer, FY15 was a built up phase and now this brand has become very-very active and the response to our campaign has been very well it has been extremely good. So sales network coupled with advertising is really creating a bump up and third, is our experimentation with some unique products like happy Tuesday, we also started we have started a product lazy Sunday in Imagica, so these innovative method to attract customers which are really the cause of this increase so it is I think when we were talking to analyst and to the investors at the time of the IPO we had tried to give them a sense of why we are very optimistic about this business and when we were over from our set up phase in FY15 I think all the, the entire resources of the company are firing towards mobilization of footfalls.
- Jai Doshi:** Correct. Further on the same point would it be possible for you to give us some color on the mix how it looks like channel partners contribution to this year's footfall so far for Imagica and some other cab service and things that you have started which were not there last year so if some color there and again contribution of let say Happy Tuesdays to this account.
- Kapil Bagla:** I think this is little sensitive and detail information, I don't think it will be possible to share at this point in time and this is only immediate trends that we observed that we will share with larger group so this is something that probably you can or anybody who else is interested can discuss with SGA and our people.
- Jai Doshi:** Sure. And would you be able to give us some idea on how ARPU looks like, how should we look at revenue for we are seeing almost 100% growth in footfalls so would revenue be like 70%-80% higher, 50% some range I understand you can't give probably you may not be able to give accurate numbers but some range.

- Kapil Bagla:** It is too early to give a trend but what we are trying to say is that, first let us start I want to also tell everybody get since we are positioning this entire project as a destination we should start looking at a combined growth in terms of footfalls between Aquamagica and Imagica because we are doing a lot of activity to position it as a combined destination, so individual growth is not exactly that we are looking at as our business and we are also looking at a gross blended growth in ARPU rather than individual growth. So this year our focus will be to ramp up numbers and our focus will also be to sustain realization but also try to improve realization in the non-ticketing area, but our focus would be to build ramp up footfalls in this current year.
- Rakesh Khurmi:** Jai basically there are three elements one is the visitors, the other is the ARPU which is realization, third is revenue so you cannot pick up all three, we have picked up first and last which is the number of visitors and the revenue so they should all go up and directionally we are seeing that.
- Moderator:** Thank you sir. Next question is from the line of Abhishek Kumar from Yes Securities. Please go ahead.
- Abhishek Kumar:** I was just looking at the quarterly footfalls and last year in first quarter that is Q1 of FY15 there was a sharp decline in the footfall that was probably if I am not mistaken because of the mishap that happened during that quarter. So I am saying on a Y-o-Y basis may be that is not the right base to compare because that was something exceptional. Apart from that on a Q-o-Q basis around a sustainable basis have you seen an increase in footfall or do you think that is largely because of the discounts that are going on?
- Kapil Bagla:** No, I think one is that the effect of the incident last year, if you see that was very short lived because you have seen the witness of growth in footfalls over a period of H1 also which is immediately the period after the incident which was in Q4 last year. So I do not probably agree exactly that it's a question of some kind of a low base effect that we are trying to see, but on a sustained basis these numbers are the being in growth not only for the past otherwise the growth in the past would not have been to the extent that we are expecting which is theme park but not only the theme park but the Water Park together the growth has been quite a bit. We have to also appreciate that finally you are attracting that many extra people into a destination. Those are different people they are not the same customer who is coming to a theme park or a Water Park because we have two different ticket so you are attracting that many additional footfalls to the destination. So, I think this has been a totally different and some kind of a secular growth that we have witnessed in whatever in the current trends.

- Rakesh Khurmi:** So I think more than that I think, as Kapil explained in his speech I think we were in the build phase in the H2 last year and we were trying to do experiments, we were trying to identify what are our weaknesses and we were working on that, so we almost seem to have a sort of plan when the year started and seems to be working so are driving the footfall numbers the way we wanted though we are not very fully satisfied or happy in comparison to the last year because ultimately we are planning for even higher numbers.
- Abhishek Kumar:** Okay, that is fair enough. One last question there is this other expense in your full year financials which has almost doubled from Rs. 21 crores to Rs. 40 crores if you could explain what constitute these other expenses and what has led to the increase.
- Kapil Bagla:** FY14 basically if you look at there are two major variable which need to be understood FY14 was 5 months expenses for this theme park because there was no Water Park. So this P&L if you look at is only for five months it's not even half year, that is one reason. Second in the current year we have the Water Park also added. So if you do normalization for the adjustments they are apple-to-apple, they are more or like same numbers actually.
- Abhishek Kumar:** Alright. That is it from my side and thank you and all the best.
- Moderator:** Thank you. Our next question is from the line of Sameep Kasbekar from Emkay Global. Please go ahead.
- Sameep Kasbekar:** It's a good question, is it possible to get the breakup of footfall and revenue for both Imagica and Aquamagica for full year 15?
- Kapil Bagla:** Yes. Footfall I think we have shared.
- Sameep Kasbekar:** No, the breakup of the footfall.
- Kapil Bagla:** The breakup of footfall basically last year we had 1.7 lakh Water Park and 896,000 theme park so which is adding up to 10.64 lakh.
- Sameep Kasbekar:** Okay. And the revenue breakup?
- Kapil Bagla:** As I explained we have probably looked at the weighted average so we are as of now not giving the breakup for that, so total revenue is Rs. 189 crores so weighted average is Rs. 1776 ARPU.

- Moderator:** Thank you. Next question is from the line of Vishal Gupta from India Infoline. Please go ahead.
- Vishal Gupta:** What is the split between number of visitors with regard to Imagica and Aquamagica in Q4.
- Kapil Bagla:** Q4 number I think we have given in the presentation which is the total.
- Vishal Gupta:** It has been in the graph but not been in the.
- Kapil Bagla:** Yes, Q4 total number in FY15 is 300,000 and FY14 was 238,000 and in terms of breakup the 238,000 itself was the theme park number only because FY14 was the only theme park and in FY15 222,000 was the theme park and 78,000 was Water Park.
- Vishal Gupta:** 222,000.
- Kapil Bagla:** Yes, 222,000.
- Vishal Gupta:** Yes. And 78,000 for the current quarter.
- Kapil Bagla:** Right.
- Vishal Gupta:** And sir one more point you told about Snow Park and Adventure Park. So there we wouldn't be required to do any CAPEX right because it has been, this has been constructed by other player right.
- Kapil Bagla:** Yes, so we are not doing any CAPEX we are have a Revenue share arraignment with the vendor. There will be some minor investment in civil but that has been non consequential.
- Moderator:** Thank you. Our next question is from the line of Aman Batra from Goldman Sachs. Please go ahead.
- Aman Batra:** Sir one book keeping question in the balance sheet what is this current liability which is seen if we can number other current liabilities. It is I think around Rs. 140 odd crores.
- Kapil Bagla:** So Rs. 140 crores primarily includes debt servicing which is payable in the next 12 months of Rs. 49 crores because as per the new accounting you have subtract from the long term loan and show it in the current liability. So we have also collected the offer for sale component which is included in the cash balance but it is payable in the

current liability of Rs. 35 crores. And IPO expenses of Rs. 20 crores which is payable and then there are CAPEX collector which is Rs. 30 crores. Which adds up to Rs. 134 crore balance is like few other small current liability so these are the major ones.

Moderator: Thank you. We have a question from the line of Vishal Gupta from India Infoline. Please go ahead.

Vishal Gupta: Sir what kind of debt reduction we are planning over a period of next two to three years, currently we weight Rs. 65 crores of debt so what is the target net debt-to-equity ratio of the total debt number you are targeting over period of next three years.

Kapil Bagla: I think this is a very large reduction that we have done in one shot which is Rs. 270 crores the way that it has worked is that for the next three years we do not have to pay it's an upfront payment of principal to the banks. So we need not pay any further principal, any further installment to the bank as far as the principal repayments is concerned. So this itself is a very large number in case we get additional revenues and cash flows, we may decide to pay out based on our growth CAPEX that are requirement and any surplus cash flows that we have post our growth CAPEX requirements we may decide but this itself has been a very-very large payout of debt.

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

Amit Kumar: In the fourth quarter presentation you have mentioned during your presentation also you mentioned two potential opportunities one in South Indian and another one in North India, I remember there was some sort of exploratory work that you are doing in Gujarat as well so any update on that?

Kapil Bagla: The Gujarat work was more on an advisory capacity with the government of Gujarat. I don't think they wanted to develop tourist destinations in the state of Gujarat and we had participated as a bid to be part of the consortium of advisor, I don't think they have moved forward on that so there is almost status and I don't think they are taking it as any pertinent and material development.

Amit Kumar: Alright, my second question pertains to some sort of recurring CAPEX so this year you still have the hotel which is coming up but beyond that what kind of recurring CAPEX so you have this one major ride every two years plus maintenance CAPEX for Imagica as well as Aquamagica how will all of that sort of add up to on an annualized normal run rate basis?

Kapil Bagla: Normally maintenance CAPEX is not that much it is build up in our case in our OPEX itself. The CAPEX would be to add to expansion we want to expand rides and attraction. The way that we have envisaged is that if we have to add one large ride we require out a CAPEX about Rs.30 to Rs.40 crores per ride that is the kind of expenditure that happens. So while the thought is there on doing that depending on the availability of cash flows and the requirement and demand from the public we would keep on adding that. So if you have to build up you can probably take a kind of a CAPEX requirement of about Rs.40 crores per annum as part of growth rate.

Moderator: Thank you. Our next question is from the line of Deepak Malik from Axis Mutual Fund. Please go ahead.

Deepak Malik: I don't know I have joined late in the conference call so if this question has been answered or not, so my question is related to that unfortunate event which happened last week on that girl so what incremental steps we have taken so that these kind of things doesn't happen in the future.

Kapil Bagla: Okay. I think first of all it is unfortunate that an incident occurred in Aquamagica on 27st of May, wherein an unattended child was spotted in our wave pool by a lifeguard on duty, so immediately after the first round of life saving protocol which was followed by in-house doctors the child was rush to the hospital for enhanced medical support to the nearest hospital . But despite all the effort from the doctors the child sadly passed away in the hospital and our deepest sympathy with the child's family and we share their grief and loss. The local authority and the police are investigating this and they have termed it as a case of accidental death. We cannot attribute any reason for this happening it is unfortunate how it happened. In this particular case it seems that this girl was a part of a 60 member group who accidentally and oblivious to the parents and the knowledge of their group members accidentally wandered into the water pool unattended. It is really unfortunate as we follow some very strict safety guideline policy including prominent safety signage's at our park we permit children below 12 years in the wave pool only with accompanied adult and also wearing life jacket. The park conducts special briefings for large groups as well. So I think what has happened is really unfortunate and a stroke of bad luck, once again our deepest sympathies are there with the family. I would just like to add that the functioning of the park and the visitation is absolutely normal and this is not a lapse of any kind of security of safety measure at our park.

Deepak Malik: But sir in this case like if only 12 years and above kids are allowed to go there, so how come this two year child was allowed to be there and that also without the

guardians and second thing where were the lifeguards at that point of time, were they not there at that because generally lifeguards are there are so these kind of things.

Kapil Bagla: No, this girl was along with the mother and I can explain you the circumstances but it is not pertinent to go to details on this call. Please understand the authorities and police have understood the consequence and the circumstances of this incident that has happened.

Deepak Malik: Okay.

Deepak Malik: My only thing is that because last year also this thing happened and this year also it happened so going forward.

Kapil Bagla: Those two are totally unconnected events and in both the cases it is established that there has not been any negligence nor the fault of Imagica management. We are pursuing our case with the ride suppliers and the case is under arbitration in Singapore so I think we should appreciate that the park is doing whatever it takes for the safety and the security of the guest.

Deepak Malik: Okay, so this weekend how was the footfall after that event.

Kapil Bagla: It was normal, there was no change between this week's footfall and the previous week's footfall.

Deepak Malik: Okay, and last question from my side we think that this year we will be able to do 2 million footfalls for the year with this 3.75 lakhs we have done in the first two months, so if I see the run rate so it looks like that we should cross this number?

Kapil Bagla: I would not like to comment on this.

Moderator: Thank you. I would like to hand the floor back to the management for closing comments, over to you sir.

Kapil Bagla: Thank you very much everybody. I think the three takeaways that we are seeing in this business and in our business so far is one is that, we are seeing some significant ramp up of foot falls and this will be our concentration over the current year. So I think if anybody were to ask that what is the focus of the management in this year we would strictly and in one word say it is footfall growth. Point number two, the second thing that we want to concentrate is the how or the execution plan how to make this

happen. So I think the second concentration is the buildup of the sales and marketing team, particularly the sales team and also the expansion in to non-geographical and into the non-catchment area so footfall growth, expansion of sales and distribution network and third of course is to position Imagica by the end of the year as the one stop all India entertainment and tourist destination I think these are the three things that as a management we are also concentrating on, we are very enthuse and encouraged of the response that we have got from the market so will probably hope to see more of this that we are seeing in the coming few times and the growth in footfalls it doesn't necessarily means that it is due to promotions and it is due to discounts we are concentrating as footfalls we are also concentrating on that level of growth in revenues to the business so it is a focus on footfalls and revenue growth it's a focus on sales, marketing and distribution growth and it's a focus on positioning Imagica as a brand for India's first and one stop holiday destination in the country. Thank you.

Moderator:

Thank you. Ladies and gentlemen on behalf of Adlabs Entertainment Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.