

5th December, 2017

To,
The Secretary
BSE Limited
P J Towers,
Dalal Street,
Mumbai – 400 001

The Manager
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

Scrip Code: 532706

Scrip Code: INOXLEISUR

Dear Sir / Madam,

Sub: Transcript of Conference Call with the Investors / Analysts.

The Company had organized a conference call with the Investors/Analysts on Tuesday, 31st October, 2017. A copy of Transcript of conference call held with the Investors/Analysts is enclosed herewith and the same is also being put up on the Company's website at <https://www.inoxmovies.com/Corporate.aspx?Section=3>.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For INOX Leisure Limited


Dhanraj Mulki
**Vice President - Legal
& Company Secretary**

Encl.: As above.





“Inox Leisure Q2 FY 2018 Results
Conference Call”

October 31, 2017



ANALYST: MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED

MANAGEMENT: MR. DEEPAK ASHER - DIRECTOR AND GROUP HEAD,
CORPORATE FINANCE - INOX GROUP OF COMPANIES
MR. ALOK TANDON – CHIEF EXECUTIVE OFFICER - INOX
LEISURE
MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER - INOX
LEISURE

Moderator: Ladies and gentlemen, good day and welcome to INOX Leisure Q2 FY2018 Results Conference Call, hosted by Axis Capital Limited. 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. Ankur Periwal of Axis Capital Limited. Thank you and over to you Sir!

Ankur Periwal: Thank you Vikram. I would like to thank all of you for dialing into Inox Leisure Post Results Earnings Call for the quarter ended September 2017. The call will be initiated with a brief management discussion on the quarter’s performance followed by an interactive Q&A session. The management team will be represented by Mr. Deepak Asher, Director and Group Head, Corporate Finance, Inox Group of Companies, Mr. Alok Tandon, CEO Inox Leisure and Mr. Kailash B Gupta, CFO, Inox Leisure. Over to you Mr. Asher for your comments.

Deepak Asher: Thank you very much Ankur. I am pleased to inform you that the board of Inox Leisure Limited has concluded it’s meeting about a couple of hours ago and has approved the quarterly results for the company for the quarter ended September 2017.

We have uploaded the financial results on the website of the company as well as the website of both the stock exchanges and in addition to the results we have also uploaded an earnings presentation, which we thought will give you a more granular appreciation of the numbers. What we intend to do now is just take you through that earnings presentation and then as Ankur mentioned we will open it for Q&A session in case you have any questions.

I think the hallmark of the performance of this quarter has been that we have been able to show fairly robust profitability growth despite what I would call fairly indifferent content and this I am sure would be manifestly clear as we take you through the numbers.

The numbers that we present are for the quarter ended September 2017 and for comparison we will compare this to the quarter ended September 2016 so it is going to be a Y-on-Y comparison of the quarterly performance and then the half-year ended September 2017 compared to the half year ended September 2016 so again a Y-on-Y comparison of the half-yearly numbers.

Firstly the quarterly numbers: Revenue from operations went up from Rs.297.4 Crs to Rs.311.3 Crs that is a growth of 5%. EBITDA went up from Rs.27.2 Crs to Rs.44.4 Crs that is a growth of 63%. EBITDA margin improved from 9.1% to 14.3%. PAT went up from Rs.1.6 Crs for the quarter to Rs.11.7 Crs for the quarter that is a growth of 643%, PAT margin, therefore, improved from 0.5% to 3.8% for the quarter.

For the half-year, the numbers are as follows. Revenue from operations went up from Rs.634.3 Crs. to 698.7 Crs. that is a growth of 10%, EBITDA went up from Rs.89.3 Crs. to Rs.120.3 Crs. that is a growth of 35%, EBITDA margin therefore improved from 14.1% to 17.2%, PAT for the half-year improved from Rs.26.5 Crs to Rs.43.8 Crs that is an improvement of 65%, PAT margin therefore improved from 4.2% to 6.3% for the half-year.

In terms of the breakup of the revenues, as you know our revenues comprised essentially of four streams, there is net box office revenues, there is net food and beverage revenues, there is advertising revenues and then there is other operating revenues. If one were to look at the breakup for the quarter, net box office revenues went up from Rs.179.4 Crs. to Rs.185.6 Crs. that is a growth of 3.5%. F&B revenues marginally fell from Rs.70.2 Crs. to Rs.67.1 Crs. that is a fall of 4.4% that is largely because of additional GST on food items this led to net revenues going down. Advertising revenues went up from Rs.23.8 Crs. to Rs.32.1 Crs. that is a growth of 34.7% and other operating income went up from Rs.24 Crs. to Rs.26.4 Crs. that is a growth of 10.3%.

Half yearly numbers are as follows; Net box office revenues increased from Rs.392.9 Crs. to Rs.424.8 Crs. that is a growth of 8.1%, food and beverage revenues went up from Rs.150.8 Crs. to Rs.155.2 Crs. that is a growth of 2.9%, advertising revenues have increased from Rs.45.1 Crs. to Rs. 65.5 Crs. that is a growth of 45% and other operating income increased from Rs.45.4 Crs. to Rs.53.1 Crs. that is a growth of 16.9%.

As a result the components of each of these revenue streams in our aggregate revenues changed as follows, net box office revenues which were 60.3% in Q2 of FY2017 went down to 59.6% in Q2 of FY2018, net food and beverage revenues from 23.6% to 21.5%, advertisement increased from 8% to 10.3%, this is for the first time in the history of the company that we have recorded a two-digit advertising revenues and other operating revenues also increased from 8.1% to 8.5%.

Now, these results as I mentioned was on the back of fairly indifferent content flow. We did not see any movie do exceedingly well. The top five grosses for the quarter were Toilet, Ek Prem Katha which saw footfalls of 12.44 lakhs and a GBOC of Rs.24.75 Crs., Spiderman Home Coming footfalls of 6.23 lakhs and GBOC of Rs.13.11 Crs., Jab Harry Met Sejal 5.39 lakhs of footfalls, Rs.11.96 Crs. of GBOC, Jagga Jasoos saw footfalls of 6.05 lakhs and GBOC of Rs.11.39 Crs. and Mubarakan saw footfalls of 5.61 lakhs and GBOC of Rs.10.33 Crs. The top five films in aggregate saw footfalls of 35.72 lakhs and GBOC of Rs.71.54 Crs. which actually translates to roughly about 30% of the GBOC for the quarter which is fairly dismal because our track record normally has been the top five films account for around 50% to 55% of GBOC it was 51% in Q2 of FY2017 and this, as I mentioned in this quarter, was just about 30% which indicates that none of the top five films did exceedingly well.

In terms of the key operational metrics, the numbers of footfalls improved marginally from 127 lakhs to 127.5 lakhs that is a 0.4% increase but it was due to increase in a number of properties. Occupancies actually fell down marginally from 26% to 25%. For the half-year footfalls improved from 282.4 lakhs to 285.7 lakhs, that is an increase of about 1.1% but occupancies, as I mentioned, fell from 29% to 28%. This is for the company as a whole if you look that the same numbers for comparable properties footfalls fell from 124.4 lakhs to 118.4 lakhs that is a fall of 4.9% and occupancies fell from 27% to 25% in the quarter. For the half-year footfalls fell from 272.6 lakhs to 259.8 lakhs that is a fall of 4.7% occupancies fell from 29% to 28%.

In terms of average ticket price, we saw a marginal increase from Rs.183 to Rs.186 that is an increase of 1.3% in the quarter but this is way below our annual average. For the half-year, the

ticket price has improved from Rs.178 to Rs.190, which is 6.4% increase. For comparable properties, average ticket price has again improved from Rs.184 to Rs.187, which is 1.7% increase, and for the half year from Rs.179 to Rs.191 which is 6.4% increase.

In terms of the food revenues the spend per head remained flat at about Rs.65 (gross of tax) for the quarter so it was Rs.65 in Q2 FY2017, Rs.65 in Q2 FY2018, for the half year there was a marginal improvement, Rs.63 in H1 FY2017 going up to Rs.65 in H1 FY2018 which is an increase of about 3.3% there was a slight improvement in the margin profile so the contribution from food improved from 73.9% to 75% as a result of which the absolute contribution from food improved from Rs.48.04 operation to Rs.48.75 operation that is an increase of about 1%. For the half year, the contribution from foods improved from 75.7% to 76% and the absolute contribution was Rs.47.69, which went up to Rs.49.40 an increase of about 4%.

Advertising revenues saw a significant jump. The quarterly numbers for Q2 FY2017 about Rs.23.8 Crs. just went up to Rs.32.1 Crs., which is an increase of 34.7%. For the half-year Rs.45.1 Crs. went up to Rs.65.5 Crs. that is an increase of 45.1% so we saw significant improvements in advertising revenues on the back of increased advertising rates sticking onto the market. Other operating revenues also saw a significant increase Rs.24 Crs. in Q2 FY 2017 went up to Q2 of FY2018 Rs.26.4 Crs. that is an increase of 10.3% and in H1 FY2017, Rs.45.4 Crs. went up to Rs.53.1 Crs. in H1 of FY2018 that is an increase of 16.9% a significant part of this increase was due to convenience fees charged for online ticketing during this quarter.

In terms of the cost of operations, the film distributor share has been largely the same in fact marginally higher at 46.3% of NBOC which went up to about 46.5% of NBOC for the quarter. For the half-year, the numbers were 44.2% going up to 44.9%. The other overheads per operating screen have actually gone down from Rs.41.3 lakhs per screen per annum to Rs.36.8 lakh per screen per annum that is a reduction of 10% that is largely because of some cost optimization measures that we have implemented as well as some savings post GST because of the input tax been creditable.

For the half-year, the numbers have been Rs.82.1 lakhs going down to Rs.79.5 lakhs that is a 3% reduction. So that is a brief overview of our financial performance.

In terms of the properties, we have opened this year from the April onwards, three properties, 14 screens and about 2052 seats this includes the Pune Heritage Mall, the Greater Noida OMAX Mall and the Mumbai Worli Atria, which we opened recently.

As a result of this, we now operate 120 properties, 481 screens, which translates to a CAGR of about 30% over the last 15 years in terms of properties and screens, which means also that on an average we have added about three screens every month over the last decade. We are now present in 19 states, 58 cities, 120 properties, 481 screens and 119342 seats, which makes us one of the largest multiplex chain operators in the country.

In terms of property pipeline, we expect to open during this year including the three properties that we have already opened 10 properties and 45 screens with 8545 seats and with this opening schedule by the end of this year we will be 127 properties, 512 screens, and about 125835 seats. In addition to this, based on the property lineup, which is already tied in terms of signed documentation we expect to see post FY2018 additions of 85 properties 515 screens and 94777 seats and once this entire pipeline is implemented our aggregate property count should be 212 properties 1027 screens and about 220612 seats.

In terms of content, October saw content pipeline essentially of Golmaal Again, which has done very well at the box office Secret Superstar which qualitatively was a very good movie and Mersal which was regional content. In November we expect two English movies Justice League, 3D Imax on November 17, and Thor: Ragnarok, 3D Imax again on November 3. December is expected to be a blockbuster because we see on 1st of December Padmawati getting release and on 22nd of December the Salman Khan-starrer Tiger Zinda Hai is getting released so we expect December to do exceedingly well and January again we have a content pipeline which includes Spiderman, Akshay Kumar Starrer, and Balki Directed.

In terms of financial performance as of 30th October, the number of shares outstanding was 9.6 Crs. the price per share was Rs.232 which give us a market cap of roughly about Rs.2,240 Crs.. Our key institutional investors include DSP Blackrock, Reliance Mutual Fund, Birla Sunlife, Kuwait Investment Authority Fund, Goldman Sachs, Morgan Stanley, ICICI Prudential, Aadi Financial Investors, Tata Mutual Fund and Sundaram Mutual Fund. The promoter and promoter group continue to hold 48.7% of the company. FIIs own 13.78%, DIIs own 18.31%, we have treasury stock in Inox Benefit Trust of 4.51% and the public holds around 14.7%.

We have an extremely strong balance sheet, total shareholder funds stand at about Rs.597 Crs., gross debt is Rs.307 Crs., net debt to equity is less than 0.4x and hence we are extremely low leveraged, in addition we have treasury stock which is worth at current prices in excess of about a Rs.100 Crs., our promoter stake as I mentioned is 48.7% which also gives us headroom for further dilution if necessary and there is real estate in the balance sheet which would be in excess of Rs.350 Crs. based on most conservative market value estimate.

In other words, we have the financial strength to be able to pursue our growth targets very aggressively without stressing the balance sheet in any significant manner. This ladies and gentlemen was a brief snapshot of our operating performance. I would now like to throw this open for any question-and-answer that you might have.

Moderator:

Thank you very much, Sir, Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Karan Taurani from Dolat Capital. Please go ahead.

Karan Taurani:

Thanks for taking my question and congrats on a great quarter. I have two questions; first is pertaining to the screen count, if you see screen addition guidance, which has given for FY2018,

it seems to be lower than one of the market leaders and this is despite we having a lower pace. So can you just throw some light on the screen addition guidance for FY2018?

Deepak Asher: We would not like to be compared with any other player in the market. We are only accountable for our numbers and the guidance that we provide. Screen count pipeline at the beginning of the year versus what we are showing now I think it is substantially the same. I think the only difference is about three to four screens in respect of our property, which could not be handed over to us, but that set apart, we continue to maintain our property pipeline as we had indicated at the beginning of the year.

Karan Taurani: One more thing the screen guidance you have given of 1000 screens to be added firstly any such timeline on that and secondly are you going for a model of tying up with the smaller multiplex screens or tying up with single screens, having low capex model or something of that sort?

Deepak Asher: Two things, one, it is not an addition of 1000 screens what I meant was the aggregate will go up 1000 after we complete our entire pipeline which includes about 512 screens by the end of this financial year and another 500 in terms of the pipeline. No, we are not indicating any timelines for that because in this business further ahead you go in terms of the future predictions the more difficult it becomes to predict the timeline for sure because property developments is not in our control, to a large extent we are dependent on mall owners. In terms of growth strategy, yes we are looking at all possible opportunities for growth, which is viable, and which makes investment sense. Well, we will evaluate that I really do not want to comment on any specific strategy that we have.

Karan Taurani: Just one last question on the F&B part spend per head is something we are lagging consistently again versus competition and we have done a fabulous job in the last two quarters and that should help profitability so when do you see spend per head being up and when do you see profitability getting impacted further from here on driven by this factor?

Deepak Asher: As we have mentioned I think about a couple of investor calls earlier our key focus at that point of time was to improve advertising revenues and other operating revenues and I am glad to say that we were fairly successful though it took us a little bit longer than what we had expected but we have been able to achieve this and I we would like to maintain this momentum of advertisement and other operating revenues growth. We are looking at spend per head improvements as well but I think the key focus would be advertising and other operating revenues.

Karan Taurani: Thank you, Sir, that is it from my side.

Moderator: Thank you, We have a next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Congrats on good advertising growth. My first question is on the Inox Insignia. Sir two questions here one is only 167 seats I understand that is because of the opulent recliners in terms of return ratio and margin how does it work? Do you see this as more of a marketing exercise for the brand

or it also a viable model? Second is sir that mall is not very strong it does not have so many strong other retail options for the consumer, so in that context how do you see the viability of this business from a longer-term perspective?

Deepak Asher: Very rightly said two parts of the question, one is this Insignia Mall marketing or a branding exercise or does it also make financial sense? Well first of all clearly it is a very strong marketing and brand building exercise. One cannot deny that many people after having visited the property called back to say that not only it is one of the best multiplexes within the country but perhaps one of the best multiplexes in the world based on the overall interiors, the decor and the ambiance. So clearly it goes a long way in establishing the brand or in strengthening the brand and this also has certain financial spin-off which may not directly be relatable to the properties revenues. For example, overall advertising and other revenue streams also get stronger because of this brand enhancement exercise. Having said that on financial numbers again I would not be able to share with the specifics of that property but I can assure you that it makes return-on-investments, which is fairly viable again what is viable and what is not viable to some extent is subjective but it is higher than the average return on investments.

Abneesh Roy: Sir on the Mall being weak it does not have too many key tenants?

Deepak Asher: That was the second part of your question. I think the tenant composition of that mall should improve going forward because now it has a very strong and robust anchor tenant. I think the viability of that mall should go up. It is well known that viability of most malls depend on the key anchor tenants and now that Inox is present in that mall one would expect that overall footfalls in that mall and the tenant mix also should improve going forward.

Abneesh Roy: Sir do you have a number of how many Insignia's in the next three years.

Deepak Asher: No we do not. We will disclose that as and when we open it.

Abneesh Roy: Sir second question is on the advertising side. You have done quite well in this quarter also. Occupancies down 100 BPS and so what is driving advertisement now, is it advertising yield increase or is it inventory my sense is it will be the yield so if you could elaborate are you now close to the top from a near-term perspective on the yield versus what you think you should get?

Deepak Asher: Well I had mentioned a couple of investor calls ago that we had undertaken an exercise to improve the advertising rates and to a large extent well it took some time for them to step into the market and the market to buy-in into those rates but now to a large extent we have that buy-in and we have seen the rate improvement for example if I may share with you it is about 35% Q2 FY2017 to Q2 FY2018 which is an average realization per minute of advertising and we expect that momentum to continue going forward as well.

Abneesh Roy: Sir finally in terms of screen addition you have done 14 versus the 45 for the full year do you remain confident of doing that 45?

- Deepak Asher:** I think our estimates have been much more conservative than what it used to be earlier and we should be able to do the balance that we are projecting which is 31 screens now. We have already opened 14 screens out of 45 so the balance 31 of which 25 are already in fit out and hence a very high degree of probability of this happening.
- Abneesh Roy:** That is all from my side. Thanks.
- Moderator:** Thank you, sir. We have next question from the line of Amit Kumar from Investec. Please go ahead.
- Amit Kumar:** Thank you so much for the opportunity. Actually just one small follow up to the question of the previous participant in Atria do you have any sort of brand partnership like for Imax you have PAYTM, have you done any sort of brand partnership there as well.
- Deepak Asher:** No we have not.
- Amit Kumar:** Are you sort of open to doing it later on because of Insignia, IMAX all the high-end properties again seem to be..?
- Deepak Asher:** To be honest with you we do not see the need but if there is a compelling value proposition we could evaluate it at that point in time.
- Amit Kumar:** My second point was with respect to a differential tax rate under GST so Rs.100 and below ticket pricing and upwards of Rs.100 have you done any changes here to get lower GST rate and the second part is if you could just tell us the sub Rs.100 tickets share of sales or the share of footfalls out there?
- Deepak Asher:** Two things first of all whether we have tweaked the ticket pricing in order to avail the lower GST rate on the sub Rs.100 ticket price well if it was a marginal case for example if a ticket size was say Rs.105 or Rs.110 it would make sense to keep it at Rs.99 to fall into a lower tax bracket, but not that substantial, so you would not carry out significant changes in pricing decisions in order to avail lower tax rates and to answer your second question, on an average 7% of tickets in a sub Rs.100 price category.
- Amit Kumar:** Sir it used to be 7%, 8% in the past also so that number you are saying has not changed.
- Deepak Asher:** So it would not be dramatic, yes, maybe it will have change by a percentage point.
- Amit Kumar:** Final question I saw one live event actually happening in Inox one David Gilmour event is this sort of a one-half thing or is there a sort of tactical shift in terms of diversifying your content?
- Alok Tandon:** Well it is a cautious decision that we should have something much more than films on our screens. We found value in the David Gilmour show and this is something, which we will continue doing for our patrons.

- Amit Kumar:** Sir just one small follow up on this how does these kind of events work do you need to sort of commit certain screens and certain timeslots like way in advance because at the end of the day if there is great content coming in around certain dates you would want to rather have that which is the normal business basically. What I am trying to ask is that this kind of alternative content can you sort of do this in short run like one or two weeks down the line if you believe that no great content is coming in can you adjust your content strategy or do you need to sort of commit to this kind of events much early like two-three months in advance?
- Alok Tandon:** Well we do not commit to anybody for sure, but yet it is done at a time when there is no great content. We would not have done it at the time of Secret Superstar, Golmaal or Padmavati. So this is done at the time when the pipeline of content is not as great as we would like it to be.
- Deepak Asher:** Also if I may add to that, the content pipeline is known fairly in advance. As we have already shown in the investor presentation the content pipeline for the next four months. So we can predict with reasonable certainty as to when it is going to be a strong month and when it is going to be a relatively lean month.
- Amit Kumar:** Thank you so much. That is it from my side.
- Moderator:** Thank you Sir. We have next question from the line of Darpan Thakkar from HSBC. Please go ahead.
- Darpan Thakkar:** Thank you for the opportunity. Congrats on the good result. Your SPH is constant and footfalls have increased but net F&B has declined 4.4% so this is mainly due to GST rates effect?
- Deepak Asher:** That is correct the SPH is gross of tax and that remains at Rs.65 gross of tax but to the extent that the tax on food items has increased from an average of about 9% to 10% to 18% the net of tax SPH would have gone down by that much, which to an extent it compensated by more footfalls but that is why you see the fall in the net F&B revenues of 4.4%.
- Darpan Thakkar:** Coming to this ad rates at the current rate also the Inox is way below the leader what is the leader charging so is there any plan to increase from this levels as well or how will we go from here?
- Deepak Asher:** Well as I mentioned to you we have seen a fairly robust increase in the advertising rates and we expect that momentum to continue in the future as well.
- Darpan Thakkar:** So like you will be taking increase at regular intervals?
- Deepak Asher:** We expect that to happen, so we will be expecting more and more for minutes to be sold at the higher rates and than the lower rates.
- Darpan Thakkar:** That is it from my side. Thanks.
- Moderator:** Thank you, Sir. We have a next question from the line of Yogesh Kirve from B&K Securities. Please go ahead.

- Yogesh Kirve:** Sir could you talk about what has been the benefit on account of the input tax credit during the quarter?
- Deepak Asher:** Well I do not have the exact number with me but as I had explained to you when you are talking about the other operating overheads these have gone down by roughly about 30% but not all of this is because of input tax credit. There were some cost optimization measures that took place particularly in the area of outsourced manpower cost which is in this cost head, the combined impact of both of this was the saving in other operating cost.
- Yogesh Kirve:** So in the FY2017 we paid service tax on the input of about Rs.50 Crs. so is that on a good number to look at in terms of savings that would have accrued?
- Deepak Asher:** Again I do not have the number in front of me but I would tend to think roughly about anywhere between Rs.9 and Rs.12 Crs. per quarter would be the right number.
- Yogesh Kirve:** Sir again food and beverages our gross F&B spend is flat so have we not made any attempt to pass on the increase in the taxes, is that a strategic call to absorb the impact or this was not a right quarter?
- Deepak Asher:** This was not the right quarter because we had indifferent content, content was not performing very well, occupancies were down and hence that was not the right time to try and increase food prices to our patrons. Secondly apart from the content, if you also look at the mix, I think this was largely Tier III and regional film drove indifference. Just to give you an example the regional content went up from 22% to 27%, hence the mix of the audience did not have the propensity to pay for higher priced food and beverage items .
- Yogesh Kirve:** But this quarter has started on a good note so are we able to pass on the tax increase to the full extent?
- Deepak Asher:** We will discover that when we announce the results for the third quarter.
- Yogesh Kirve:** Thanks a lot. We will come back in the queue.
- Moderator:** Thank you, sir. We have a next question from the line of Bharat Bhagnani from Tasha Invesco. Please go ahead.
- Bharat Bhagnani:** I just have a couple of questions on the advertisement revenue you have seen quite a bit of jump which we compare the half-year 2018 to half-year 2017 so one of the earlier participants said that there is only a rate increase so can you please elaborate a little more on the advertisement revenue increase?
- Deepak Asher:** I am not sure what further elaboration you would need. The advertising revenue has gone up by about 35% for the quarter by about 45% for the half-year this has been largely on the back of rate increase. The average rate increase on a Y-on-Y comparison for the quarter has been about 35% to

some extent if you look at the full half-year there was also be an inventory increase, which is the number of minutes shown.

Bharat Bhagnani: So what would be the average number of minutes per show?

Deepak Asher: No that is not in the public domain. That is not something that we would share, it's too granular information.

Bharat Bhagnani: This increase would depend primarily on the advertisers would primarily look at the higher occupancy or would they also look at locations?

Deepak Asher: Well it is a mix of several things. It would be locations, it will be the branding of the property and it would be also the footfalls and the occupancies so there are several things that come in to play.

Bharat Bhagnani: You do the advertising yourself you have your own executives or you go through a third party aggregator?

Deepak Asher: It is a mix of both.

Bharat Bhagnani: Can you maybe give a percentage of how much is yours and how much is third parties?

Deepak Asher: No we would not share that.

Bharat Bhagnani: Just one last question you have mentioned in the presentation and you mentioned in your opening speech about the real estate, which is there in the books so how much of that is unutilized, which may come into operation later on for the screen?

Deepak Asher: No, none of the real estate is unutilized all this real estate is utilized so what I meant was unlike most properties which are on long-term leases properties are actually owned by us. This includes, for example, the Pune Bund Garden properties, the Vadodara Race Course property, the Inox Nariman Point property at Mumbai so all these properties are owned by us and hence there is the potential of being able to raise cash on the back of that property without stressing the balance sheet.

Bharat Bhagnani: Thanks.

Moderator: Thank you, Sir. We have a next question from the line of Rohit Dokania from IDFC Securities. Please go ahead.

Rohit Dokania: Good evening Sir. Thank you for the opportunity. Just two quick questions one was in terms of net box office revenue growth that is about 3.5% and ATP has grown about 1% odd so is there a sort of a marginal tax decrease on overall box office revenues?

Deepak Asher: Sorry could you repeat your question?

- Rohit Dokania:** I am saying that the gross ATP has increased by about 1%, 1.5% and footfalls are broadly flat are increase at 0.4% but net box office revenue has been increased by 3.5%.
- Deepak Asher:** That is correct so that will be a 1%.
- Rohit Dokania:** Marginal sort of tax increase.
- Deepak Asher:** The improvement because of the tax reduction that is right.
- Rohit Dokania:** One related question to this are there any amounts of tax reversals that we have booked in this quarter towards the tax exemption if the states use to provide.
- Deepak Asher:** No.
- Rohit Dokania:** So there is nil.
- Deepak Asher:** yes.
- Rohit Dokania:** And Sir last quick questions any one-off cost in this particular quarter or these are more or less sustainable.
- Deepak Asher:** I think these are sustainable.
- Rohit Dokania:** Thank you very much and wish you all the best.
- Moderator:** Thank you Sir. We have next question from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** Thanks for the opportunity. Your balance sheet is now in a very good shape so it has been a while that you acquired something so are you looking at acquisitions or opportunities and how is the market, are you seeing enough opportunities to add inorganically?
- Deepak Asher:** We have always said that we are in a growth phase and we have a very strong balance sheet. We are constantly in search for opportunities that might be viable acquisition opportunities. We have in a sense started the consolidation phase in the industry but if I remember right, way back in 2006 we acquired CCPL Calcutta Cine Private Limited. And then in 2010, we acquired FAME India Ltd. and then we acquired Satyam Cineplexes Ltd in 2014. So acquisition is not something which is alien to us. The problem is there should be an opportunity, which is a good fit with our geographical presence and which also comes at a reasonably decent valuation. We would not want to pay a price which is not viable and unfortunately based on what is left in the market for acquisition many potential sellers are asking for unviable prices but having said that I think eventually this industry will consolidate and this might be a three to four player industry as it happens in many other sectors, which have witnessed significant growth and which thereafter needs to consolidate. The smaller regional players of which there are quite a few, about 10 to 15 players each of which have about 25 to 50 screens in specific regions would find it increasingly difficult

to grow because of their negotiating leverage for content as well as for properties because of their insignificant size and hence would be a potential acquisition target.

Jai Doshi: Second question would be, would you consider unlocking the value by selling real estate for reasons other than acquisition, so given that there may be tax implications would you consider that or it will be used only if you were to find a very large acquisition at a very attractive price?

Deepak Asher: Well if we need the cash we could look at it, the problem in doing so, if you mean by unlocking the value of sale and lease back the tax on such transactions make the transaction unviable but if it becomes necessary we have that possibility, the unavailability has been reduced because of GST. Earlier service tax on rent was not set-off-able, now at least GST would be set-off-able, and we just need to work out the direct tax implications or the sale of the property before we look at that as a fundraising opportunity.

Jai Doshi: That is helpful. Thank you so much.

Moderator: Thank you, Sir. We have a next question from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Just wanted to ask that have we given higher receivable days to the advertisers to drive ad growth on our network or it is similar to what it was two years back or a year back?

Deepak Asher: No, certainly not given higher. It should be similar in fact there might be a slight improvement there as well, but no we have not offered higher credit to advertisers.

Naval Seth: Secondly any proportion you want to highlight would be coming from local or national in terms of the mix of advertisement?

Deepak Asher: No, again this information is too granular.

Naval Seth: Thanks a lot.

Moderator: Thank you, Sir. We have next question from the line of Sanjeev Hota from Sharekhan Limited. Please go ahead.

Sanjeev Hota: Thanks for the opportunity. Congrats on the good set of numbers. Sir if I am not mistaken, the first hike that you have announced for the advertisement is on December 2015 and that time you spoke about 12% to 14%, 15% kind of hike I just wanted to understand is there is a kind of follow up hike you have taken in the quarters to follow and because if you see the last quarter, Q2 FY2017 the base was low and the 35% ad growth was largely driven the realization but in Q3 the base has increased to Rs.30 Crs.. So what is your call for that going forward because Q3 given that the footfalls is going to increase significantly so you still believe that on the base of Rs.30 Crs. our advertisement growth will be sustainable going forward?

- Deepak Asher:** Clearly there will be a significant growth going forward, as I mentioned the momentum of growth should continue. I am unwilling to give you specific numbers in terms of absolute value or percentage growth for the future, but I do believe that we are now on the right track as far as advertising revenues are concerned and we should, therefore, be able to see fairly robust growth in this revenue stream.
- Sanjeev Hota:** Sir this 100% acceptance of your hike that you have taken in the earlier years?
- Deepak Asher:** Well yes it is a continuing exercise. It is a moving target so it is not just we have announced the rate and then we will wait for 100% acceptance. As the rates continue to gather acceptance you revise the rates again and you keep on doing this still you reach a point where you think the market can take no more. We are still far away from that stage and therefore we do believe that there is a scope for improvement hereafter.
- Sanjeev Hota:** Sir any change that you see in the regional mix going forward because there are lot of regional movies that is getting more money out of the global market so are we looking for adding more screen to the regional movies?
- Deepak Asher:** I do not think there is a strategic change in direction to some extent there has been a fluctuation on a month-to-month or quarter-to-quarter basis but I do not think there is a tectonic shift in the market.
- Sanjeev Hota:** Sir the last question either the shift in the release date of Rajinikanth, Akshay Kumar starrer 2.0 because it was earlier supposed to be released in January?
- Deepak Asher:** Yes I think there is.
- Sanjeev Hota:** That is all from my side. Thank you.
- Moderator:** Thank you, sir. We have the next question from the line of Duby Rex from iThought Financial. Please go ahead.
- Duby Rex:** My question is regarding the receivable. I want to understand what is the component of ad revenue in the receivables part is that all or is there some other component to it?
- Deepak Asher:** Marginally there would be VPF revenues or some other revenue streams that might be in the receivables but largely ad revenues.
- Duby Rex:** Thank you all the best.
- Moderator:** Thank you, Sir. We have the next question follow-on question from the line of Amit Kumar from Investec. Please go ahead.
- Amit Kumar:** Thank you again for the opportunity. Sir just a quick follow up to the previous participant, this e-tax exemption that you used to get in a few states, you have not booked anything, but based on

your discussion with the state governments is there a chance that you will get this E-Tax exemption?

Deepak Asher:

Yes, there would be that possibility, because if you look at the GST law, the policy states that exemptions which are location-based (and in our case all exemptions are location-based) would be grandfathered under the GST scheme we have been in discussion with all the state governments in order to ensure that the grandfathering happens effectively. Unfortunately till date none of the states have formulated the rules for such grandfathering so we are waiting for that to happen and till that happens obviously it will not be prudent for us to recognize as revenue so we have just taken the conservative approach of not recognizing that possibility of grandfathering of erstwhile exemptions for the residual period.

Amit Kumar:

My second question on taxation, Sir just your thoughts on LBT. I know you have been having a fair bit of discussion with the Tamil Nadu government any sort of thought that other states have also sort of shared with you basically if you can please help. Thank you.

Deepak Asher:

Inox as a multiplex chain believes that there should not be any LBT and I believe this is also the stand of all multiplex chains, because apart from being on the board of Inox I personally also happen to be the President of the Multiplex Association of India and our view is that to the extent that the 28% GST rate for cinema exhibition reflected our current incidence of tax to the pre June 30 incidence of tax, and this was a principle of the rate determination as enunciated by the Honorable Finance Minister as well as the Revenue Secretary that GST would be at a rate of your current incidence of tax, then in principle, and it follows logically that there should not be any LBT because if there is an LBT in addition to a 28% GST rate that would amount to taxing the industry more than what the current incidence of tax was. Secondly, it also fly's in the face of the principle of GST which was supposed to be one nation one tax because this now becomes two tax. It also goes against the philosophy of GST which is one single fungible tax across the value chain as this now becomes two taxes which are not fungible and hence in principle our strong belief is that there should not be any LBT and we are making whatever representations we can to all concerned regulatory bodies in order to ensure that it remains that way.

Amit Kumar:

One final point at my end Sir, so F&B I understand because of that taxation going from an 11%, 12% to 18% your effective F&B per head has actually dropped surprisingly F&B margin has increased in this particular quarter so how do we sort of read into that way we have subsumed the tax that I would have imagined would have resulted in a little bit of compression on the F&B gross margin side but we are actually seeing expansion?

Deepak Asher:

That is again because of the input taxes on the F&B being set off.

Amit Kumar:

Could you explain to me because as far as the food based raw material is concerned there is not too much of taxation even previous year even right now so just wanted to understand this even better?

- Deepak Asher:** So in some of the states where is a composition scheme that we have avail and therefore that is the impact is because of that.
- Amit Kumar:** I will probably take this offline. Thank you.
- Moderator:** Thank you, Sir. We have next question from the line of Girish Pai from Nirmal Bang. Please go ahead.
- Girish Pai:** Thanks for the opportunity. I just wanted to know the mix between Bollywood and Hollywood regional for the quarter versus the last quarter came for the last year?
- Deepak Asher:** Q2 FY2017 Hindi was 70%, English was 11%, and regional was 18%. Q2 FY2018 Hindi fell from 70% to 60%, English went up from 11% to 15%, and regional went up from 18% to 25% but this largely reflects as I was mentioning the Hindi films not doing very well and therefore the relative share of English in regional went up.
- Girish Pai:** The last question is regarding the share of distributors your peer seems to have gone up quite a bit and yours has not gone up any reason why that has happened?
- Deepak Asher:** I cannot comment on what the peer has done I can only say that my share of distributors pay offs has been more or less the same. We cannot predict this to the last decimal digit but within a range of 0.5% plus minus it continues to remain at that level.
- Girish Pai:** Thank you.
- Moderator:** Thank you, Sir. We have next question from Devanshu Bansal from Nirmal Bang. Please go ahead.
- Devanshu Bansal:** Thank you for the opportunity. Congrats on good growth in advertisement revenue. Sir, I wanted to ask this number of shows per screen per day increase or decrease in relation to the quality of content during the quarter.
- Alok Tandon:** The number of shows depends not on the content but on the length of the movie so that is what the determining factor. If the movie is of a longer-duration we have the number of shows per day go down.
- Devanshu Bansal:** Okay it is not about the quality of content?
- Alok Tandon:** No.
- Devanshu Bansal:** Thank you.
- Moderator:** Thank you, Sir. We have our next question from the line of Amish Kanani from JM Financial. Please go ahead.

- Amish Kanani:** Congrats on a relatively good show. Sir given that we are adding more 7% to 8% of our seats has an organic growth in terms of our plant capacity addition. I wanted to understand how the new property and the new screen shape up in the first few months of our addition in terms of footfalls and occupancy and does it generally catch up to that 27%, 28% or it grows gradually as and when the mall is popular and through annually advertising?
- Deepak Asher:** Often we see that in this business the first two or three months actually the occupancies are much higher than the long-term average because everybody wants to come and see the new property that has opened and because it has got the latest gizmos, gadgets, interiors, and ambience it does not really take a build-up time.
- Amish Kanani:** It does.
- Deepak Asher:** That is right.
- Amish Kanani:** Thanks a lot and all the best.
- Moderator:** Thank you, sir. Ladies and gentlemen that was the last question I now hand the conference over to the management for closing comments. Over to you Sir!
- Deepak Asher:** As I mentioned I think the hallmark of this quarter has been that we have been able to show a fairly sustained revenue performance, with a significant growth in profitability both EBITDA as well as PAT numbers and that is largely because of our focus on what we are calling non-box office revenues, revenues that are not immediately or in the short-term dependent on footfalls which is largely advertising revenues and other operating income driven to a large extent but convenience fees and other VPF income etc., and we expect this momentum to continue. It took us longer than what we were expecting but hopefully, it is pretty sticky and sustainable and we should see these kinds of numbers going forward as well. Having said that I would like to thank all of you for your interest in attending and participating in this call and we look forward to your continued support going forward as well. Thank you.
- Moderator:** Thank you very much, Sir. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us you may now disconnect your lines.