INOX
LIVE the MOVIE

24th May, 2018

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

Scrip Code: 532706

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: 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 Monday, 7th May, 2018. 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

Kailash B. Gupta
Chief Financial Officer

Encl.: As above.

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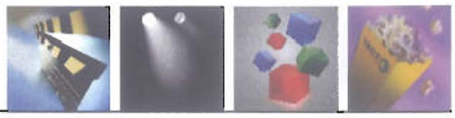

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"INOX Leisure Q4 FY-18 Earnings Conference Call"

May 7, 2018

MANAGEMENT: **MR. DEEPAK ASHER – DIRECTOR AND GROUP HEAD CORPORATE FINANCE**
MR. ALOK TANDON- CEO, INOX LEISURE
MR. KAILASH B GUPTA- CFO, INOX LEISURE

MODERATOR: **MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED.**

Moderator: Ladies and gentlemen good day and welcome to the INOX Leisure Q4 FY18 Earnings 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 '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you sir.

Ankur Periwal: I would like to thank all of you for dialling into INOX Leisure Post Result Earnings Call for the quarter and the year-ending March 2018. The call will be initiated with a brief management discussion on the quarterly as well as the full year 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 Gupta – CFO, INOX Leisure over to Mr. Asher for your comments.

Deepak Asher: Thanks very much Ankur and a very warm welcome to all the investors, analyst and other participants on this call. I am glad to inform you that the board of directors of INOX Leisure Limited concluded the meeting a short while ago and have approved the auditor results for the financial year ending March 2018 and we've uploaded the results on the website of the company and as well as both the stock exchanges and we've also along with the results uploaded an earnings presentation and my proposal now is to take you through some of the key highlights of the earnings presentation to give you a flavor of how we have worked for the last year both in terms of financial as well as operating parameters.

The numbers that we will show will be the quarterly numbers in which we will do a Y-O-Y comparison which means Q4 of FY 18 will be compared with Q4 of FY 17 and then the annual numbers in which the full financial year FY18 will be compared to the full financial year FY 17. Talking firstly of the top line numbers for the quarter. Revenue from operations increased by 12% from Rs. 288.5 crores to Rs. 323.6 crores. EBITDA increased from Rs. 25.1 crores to Rs. 43.9 crores that is a growth of 75%. As a result of which EBITDA margin improved from 8.7% to 13.6% and PAT for the quarter increased from Rs. 0.3 crores to Rs. 57.7 crores.

There is, of course,, an extraordinary item of a write-back of tax of earlier year of Rs. 53.7 crores, but even if we disregard that PAT has improved to about Rs. 4 crores for the quarter. For the full year revenue from operation increased from Rs. 1220.7 crores to Rs. 1348.1 crores that is a growth of 10%. EBITDA has improved from Rs. 146.1 crores to Rs. 210.4 crores that is a growth of 44%. EBITDA margin, as a result, has improved from 12% to 15.6% and PAT has increased from Rs. 30.6 crores to Rs. 114.6 crores and even if you were to remove that one of adjustment of tax write-back the PAT increase would have been Rs. 30.6 crores to Rs. 60.9 crores that is again a growth of almost 100% even after adjustment for the extraordinary item.

If one were to look at the breakup of the revenues as you know our four key revenues stream are net box office revenue, net food and beverage revenues, advertising revenues and other operating revenues. For the quarter, net box office revenues increased by 6% from Rs. 178.8 crores to Rs. 189.5 crores. Net F&B revenues food and beverage revenues increased by 18.3% from Rs. 65.6 crores to Rs. 77.7 crores, advertising revenues increased by 58.9% from Rs. 20.9 crores to Rs. 33.2 crores and other operating revenues increased by 0.4% from Rs. 23.2 crores to Rs. 23.3 crores. For the full year net box office revenues improved by 7.2% from Rs. 748.1 crores to Rs. 802.2 crores. Net food and beverage revenues increased by 7.7% from Rs. 284.1 crores to Rs. 306 crores.

Advertising income improved by 44.4% from Rs. 96.2 crores to Rs. 138.9 crores and other operating income or revenues improved 9.4% from Rs. 92.3 crores to Rs. 101 crores as a result of which overall revenues increased by 10% from Rs. 1220.7 crores to Rs. 1348.1 crores. To a significant highlight of the composition of revenues is for the first time for the full year we see advertising revenue cross 10% mark of the entire revenue pie and to that extend net box office revenues have been within 60%. Primarily as a result of the releases that happened during the last quarter and top 5 movies for INOX for Q4 FY18 were Padmaavat which brought in footfalls of 26.04 lakhs and GBOC of Rs. 60.12 crores. Sonu Ke Titu Ki Sweety brought in footfalls of 12.54 lakh and GBOC of Rs. 22.47 crores, Raid 9.92 lakh of footfalls Rs. 17.97 crore GBOC, Padman 8.19 lakh footfalls and Rs. 15.71 crores of GBOC. GBOC by the way Gross Box Office Collection and Tiger Zinda Hai brought in footfalls of 8.03 lakhs and GBOC of Rs. 14.21 crores.

The aggregate footfalls accounted for by this top 5 movies worth 64.72 lakhs which is 51% of our total footfalls for the quarter and the GBOC for this 5 films were Rs. 130.48 crores which is 53% of our total footfalls. The corresponding numbers last year for the same quarter was 48% of footfalls and 51% of GBOC was accounted for by the top 5 films in that quarter. Now getting into the operational metrics that resulted in these numbers, footfalls have fallen during the quarter by 3% from 130.2 lakhs to 126.3 lakhs for the full year footfalls fell by 0.7% from 537.3 lakhs to 533.3 lakhs. This we believe was largely because of two factors one the film Padmaavat did not play in about two states for us and secondly, there was a period of a strike in the South Indian cinema territory. And our belief is that this accounted for roughly about 24 lakhs worth of footfalls loss both this factors put there and therefore had we not seen this abnormal event one would argue that there would have been an improvement in footfalls by about 5% compared to what we had last year. On comparable property basis, footfalls fell by 5.7% from 119.5 to 112.6 lakhs for the quarter and by 4.2% from 450.3 lakhs to 431.3 lakhs, but as I mentioned if you correct it for those two aberrations you could probably see similar footfalls as compared to what we had in FY17. There has been a significant improvement in average ticket prices. The overall ticket price for the quarter increased by 10.9% from Rs. 174 to Rs. 193 and for the full year the increase was 8.2% from Rs. 178 to Rs. 193. Even if you look at the trend for comparable properties for the quarter ticket prices increased by 10.8% from Rs,172 to Rs,190 and for the full year from Rs.177 to Rs.191 which is an increase of about 7.7%.

On food and beverage, the spent per head for the quarter increased by 13.2% from Rs. 59 to Rs. 67 and for the full year the increase was 7.3% from Rs. 62 to Rs. 66. The contribution from food saw a marginal dip in the quarter 76.8% going down to 74.9% that is for the full year the numbers are comparable 76% in FY17 became 75.7% in FY18. Advertising revenues have seen a significant increase in quarterly advertising revenues in Q4 FY17 were Rs. 20.9 crores. This has gone up to Rs. 33.2 crore that's an increase of 58.9% for the full year earnings revenues increases from Rs. 96.2 crores to Rs. 138.9 crores that is an increase of 44.4% and other operating revenues were virtually flat for the quarter Rs. 23.2 crore in Q4 FY17 Rs. 23.3 crore in Q4 FY18, but for the full year we witnessed a 9.4% growth from Rs. 92.3 crores to Rs. 101 crores.

As far as our major cost items are concerned film distributor share fell on NBOC basis from 43.5% to 41.7% for the quarter and so a very small increase for the full year from 44.4% to 44.6%. on NBOC. As far as other overhead for operating screen is concerned again we have seen marginal drop total other overheads for the quarter Q4 FY17 was Rs. 40 lakhs per operating screen this has gone down to Rs. 39.2 lakhs per operating screen which is a reduction of 2% and again on an annual basis also we saw a similar reduction of 2% from Rs. 162.5 lakhs to Rs. 159.3 lakhs. Now that is a brief overview of our financial performance along with some key operating matrix. As far as properties are concerned we have opened during the year 6 properties with 25 screens and 4863 seats we have given to you in the presentation the details of these properties.

As a result of this our total property count by the end of the financial year 2018 is 123 properties with 492 screens this means that we have seen an addition of on an average 8 screens every quarter since inception. We, therefore, remain one of the largest multiplex chain operators in India present in 19 states, 61 cities, 123 properties operational with 492 screens and 1,21,573 seats. As far as the visible pipeline of screen opening for the next year is concerned again we have given you broad details we expect to open during FY19, 11 properties with 55 screens and about 9802 seats which once implemented would take a total property on screen count by the end of FY19 to 134 properties for 547 screens and about 1,31,375 seats.

In addition to this we have also tied up about 108 properties in terms of agreement we already signed with 662 screens and 1,19,427 seats obviously it is very difficult to give you a timeline for the implementation of this pipeline, but once it is fully executed we would, therefore, be 242 properties strong with 1209 screens and about 2,50,802 seats once this is fully implemented. The content pipelines look fairly robust going forward during the month of May, for example, we have already seen the release of 102 not out we expect Raazi to be released later this week and then this is going to be Deadpool 2 which should be released on 18th May and then there is Parmnau Bhavesh Joshi Superhero as well as Solo: A Star Wars Story all happening in May. June Is expected to be a blockbuster month with Veere Di Wedding, Jurassic World: Fallen Kingdom, Kaala, Race 3 and expected blockbuster Incredible 2 and Sanju all releasing in June. In July we have Ant-Man, Laila Manju, Skyscraper, Dhadak,

Saheb, Biwi Aur Gangster 3 and Mission Impossible Fallout and this is an IMAX format movie all happening during July. In August we have Sandeep Aur Pinky Faraar, Manikarnika**,** The MEG, Satyamev Jayate, Gold, Happy Phirr Bhag Jayegi pretty good strong release pipeline going forward and we are extremely hopeful that this will do quite well.

In terms of shareholding data, total number of shares outstanding at this point in time are 9.6 crores shares, the face value of Rs. 10 the current price as of yesterday was Rs. 266.9 the 52 weeks high/ low range was Rs. 326 to Rs. 213.3 and at current price the market cap is about 2574.46 crores. The major institutional investors remain more or less what they were last quarter. The promoters and promoter group hold48.7%. FII own about 18.45% DII own about 17.07%. We have treasury share of about 4.51% and the public and others own about 11.27% of the total capital of the company. There is also details provided of the consolidated balance sheet of INOX Leisure. What we would like to stress here is we believe that we have one of the strongest balance sheet in the industry with an extremely lower leverage of net debt equity being as low as 0.4 times we have about Rs. 116 crores perhaps more in treasury stock lying on the balance sheet.

We have about Rs. 350 crores perhaps more of real estate lying on the balance sheet and promoter stake is at a very strong 48.7% which means that we have the potential of the ability to grow fairly aggressively without putting any stress on our balance sheet. So this ladies and gentlemen was a brief snapshot of how we performed and where we stand today. I like to now open the floor for any questions or any observations that you would like to make.

Moderator: Ladies and gentlemen we will now begin with the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. We take the first question from the line of Amit Kumar from Investec Capital.

Amit Kumar: Thank you for the opportunity. Just a couple of bookkeeping questions, to begin with if you can just explain some of these exceptional items which are there in the P&L this time around I think impairment loss of around Rs. 180 odd lakhs an exceptional of about Rs. 8.5 crore and there is something on the taxation line as well the write-back of around Rs. 50 odd crores, if you can just give us a little bit of color on what is happening here?

Deepak Asher: Let me explain the tax part first because I think that is a significant part and then I will hand it over to Kailash the CFO who will explain to you the other write-off and the provision that we had done. As far as tax part is concerned there were certain acquisitions that we had done in the past which had created in books what is called goodwill and the issue before consideration before the tax authorities was, whether that goodwill was tax deductible or not. Our contention was that it was, but however since the tax department has not fully accepted it we were making tax provisions on the basis that this maybe not be allowed as a deduction. However, I am happy to inform you that in the last assessments we have successfully convinced the tax department that it is an allowable deduction and to that extent the provision which was made in the past and what we will be needed to be made going forward as well, has to be lower to

factor inthe fact, that goodwill would be tax deductible which led to a write-back of the provision which was made earlier.

So that is one of the key reasons there were some other reasons like disallowances under 14 A which also we successfully contended were not applicable in our case for reason that I would not get into details with, but there were certain as I mentioned disallowances that we were successful in getting and this is again based on assessments completed and orders in hand and because we had the assessment completed and orders in hand we were able to write those tax provisions back. So that as far as the tax provision is concerned. Kailash would you like to address this.

Kailash Gupta: Let me come to the exception item of Rs. 8.4 crores so this is about one property where the fit-outs and everything was almost in the ready shape, but due to some regulatory issues we could not continue with that property so whatever fit-outs etc were there, we have taken complete provision of that amount as the property might not get the required approval, so this is one. Second on the impairment part, you know every property has to go for an impairment testing of its investments, so in couple of properties where a significant investments have been made and those investments when we estimated vis-à-vis I mean return versus the investments, the investment recoverability is doubtful as per conservative estimates hence we had to take impairment of around Rs. 1.8 crores.

Amit Kumar: Alright Sir understood. Very quickly what is the CAPEX for the year and what is the plan for fiscal 19?

Deepak Asher: CAPEX for this year which is FY18 was roughly about Rs. 199 crores this included CAPEX on new properties of about Rs. 161 crores and security deposit for the properties that we expanded for over Rs. 29 crores the plan going forward for FY19 we expect this to be in the range of about Rs. 250 to Rs. 260 crores.

Amit Kumar: And this will also again include security deposits as well.

Deepak Asher: There the breakup is roughly about Rs. 240 crores of CAPEX and about odd Rs. 20 odd crores security deposit.

Amit Kumar: Thank you, I'll come back on this.

Moderator: Thank you. We take the next line from the line of Darpan Thakkar from HSBC securities. Please go ahead.

Darpan Thakkar: Hi, thanks for the opportunity. Two, three questions one is does P&L include the revenue from tax exempted screens as well I mean additional revenue that you used to get before GST is it included in the entire year for the FY18 or even for the quarter. Second question F&B-SPH

ratio is not gaining since last two, three quarter are there any steps that are targeted to be taken in the future so this two questions?

Deepak Asher: Post GST there is some confusion about the grand fathering of tax exemptions that we were already entitled to and till there was certainty or clarity on this grand fathering happening meaning unless the states came out with policies on how the grand fathering was to happen we were therefore not able to account for any tax exemptions post GST. So obviously the exemption benefit was accounted for up to June, but not thereafter. Your second question was you felt that there was no improvement in F&B or estimates from F&B.

Darpan Thakkar: Ratio of F&B-ATP that is roughly around 35% it is same as last year.

Deepak Asher: In the sense that is correct but to the extent that you see your ATP is going up by around 8% to 10% and your SPH also going up by 8% to 10% that it is not fair to say that there is no improvement in that ratio the improvement clearly is in the SPH is going up by 8% to 10% just as ATP is going up by 8% to 10%.

Darpan Thakkar: So one more question if I may ask are there any acquisition opportunities that you are seeing in the available in the market?

Deepak Asher: Well we are always happy to look at acquisition opportunities and there are quite a few in the sense that there are apart from this four large national chains there are several 15 to 20 regional players each of whom have anywhere between 20 to 70-80 screens and this would be potential acquisition target and we do believe that if the value proposition is compelling enough we would be happy to look.

Darpan Thakkar: Thank you.

Moderator: Thank you. The next question is from the line of Urmil Shah from IDBI Capital.

Urmil Shah: Hi. Congrats on a strong quarter. My question was on the screen adds for FY19 this year of course the addition has been weak for factors not all in your control but going into next year how confident are we that we can add between 50 and 60 screens.

Deepak Asher: You are right in the sense that property screen addition in FY18 was not as strong as we ourselves have expected in fact if I remember right we had actually projected at the beginning of the financial year screen addition of roughly about 45 screens versus what we have actually delivered is about 25 screens. So yes, I do concede that the additions have not been stronger as we expected, but that has also let us to ensure internally that the guidance that we are providing for screen addition is going forward is extremely conservative and therefore this 55 screen that we are now indicating would be operational by in FY19. We are quite confident that we will be able to do this because whenever there was an element of uncertainty or doubt we ourselves did not include that in the guidance and what we put here is something that we are pretty

confident of being able to achieve. Just for example in terms of illustration out of this 55, there are about 20 screens which are complete in all respects and just waiting for the licenses. So as soon as we get the licenses these 20 screens could get operational any moment.

Urmil Shah: I know it will be difficult to time it but try to assume that we have 25 screens the screen has for the year would be first half having a higher share of the screen compared to the second half.

Deepak Asher: Possibly, yes.

Urmil Shah: My second question was on the advertisement revenue, of course, this year has been very strong how should we look at it from FY19 and FY20 points of view?

Deepak Asher: Well I think again it is going to be difficult to predict or project exact numbers, but yes our focus has been on improving advertising revenues that something that you might recall if you follow the earlier earnings call we have been saying for the last 6 to 8 quarters and what we are happy about is a fact not only have advertising revenues in absolute term has gone up, but I have also gone up significantly on a per screen basis just to give you a number for the full year it was Rs. 22.37 lakhs on a per screen basis in FY17 which has gone up to about Rs. 29.8 lakh on per screen basis which is a growth of 33%. So not only as I mentioned is absolute numbers going up 44% but even on a per screen basis it is going up by about 30% to 35% and we expect significant moment of a growth to be maintained in this revenue stream, of course,, I am not going to able to predict exact number, but we feel fairly confident that this is going to be a revenue and profit driver for us going forward.

Urmil Shah: Thank you and all the best Sir.

Moderator: Thank you. The next question is from the line of Deresh Pathak from Goldman Sachs. Please go ahead.

Deresh Pathak: Thank you Sir, you mentioned Rs. 160 crores of CAPEX for FY18 on 24 screens, per screen CAPEX number, is running out to be higher am I missing something?

Deepak Asher: Yes, normally the CAPEX as we incur and the screens that we opened would not necessarily go in tandem sometimes CAPEX is incurred as I mentioned to you there are 20 screens which are already ready fully-capexed and waiting for operating licenses. The CAPEX would be reflected in the balance sheet or P&L in the financial numbers, but you would not see the screen operationalized. So there is normally not a perfect coordination between the CAPEX incurred and the screen opening in the financial year.

Deresh Pathak: When you mention security deposit that would sit in loans and advances or that will be part of current assets?

Deepak Asher: They will be in current assets.

Deresh Pathak: So Rs. 161 crores in FY18 and what would be like-to-like guidance for FY19 you gave some number.

Deepak Asher: It is about Rs. 240 crores of CAPEX and about Rs. 20 crores of security deposits.

Deresh Pathak: So if I understood correctly what you are saying is the Rs. 161 crores you spend in FY18 some of it is spent on screens which will get operationalize in FY19.

Deepak Asher: That is correct, but I will assume that would also happen at the end of FY19 as well so there will be some CAPEX incur in FY19 for screens that will actually open in FY20.

Deresh Pathak: So what is on an average basis, how much CAPEX are you incurring per screen now?

Deepak Asher: You could take roughly Rs. 2.5 crores to Rs. 3 crores.

Moderator: Thank you. We take the next question from the line of Ankur Periwal. Please go ahead.

Ankur Periwal: First you know continuing with the ad growth this quarter, as well as full year, has seen a significant benefit of the price hike that we had taken earlier. Just trying to understand how much of this growth in the quarter as well as the year was driven by volume and realization and what is the growth outlook over there?

Deepak Asher: It is fair to say it is going to be roughly equal so if the increase has been about 40% you could say a roughly equally between the volume increase which is total minutes as well as the rate increases which is around rate per minute. And as I said I would be able to give you specific numbers going forward, but we do expect to maintain the momentum of growth and advertising revenues.

Ankur Periwal: The second thing, now the footfall growth as you rightly highlighted in your earlier comments has not been commensurate with the screen additions that we have seen historically, any specific reasons you could highlight because this has been happening for some time now so any insights over there if you could share?

Deepak Asher: Well I would not say that we have not witnessed a footfall growth. Had it not been for this two aberrations that I talked about which was Padmaavat not happening in about 20% to 23% of our screens and also the southern film strike, you would actually have seen an improvement in footfalls. So I do feel that footfall should be able to show a moderate growth going forward as well. So I am not entirely in agreement with you when you say that there is a concern.

Ankur Periwal: Where I was coming from, leaving apart this quarter, even if I adjust it for the one-off and on a full year basis the growth in footfalls has been slower than the screen additions. So is it only because of the relatively subdued content which we had seen over the last few quarters or there is something?

Deepak Asher: Yes, macro level the footfalls are largely a function of the quality of content and unless there is a dramatic improvement or dramatic change there, you would not see a dramatic change in the footfalls numbers.

Ankur Periwal: Sure, and lastly on the ATP front, now this year we have seen a significant growth, any thoughts over there? Does that 7%, 8% growth looks likely going ahead as well or we can see some moderations there?

Deepak Asher: I think we will be able to maintain that momentum of growth because let also not forget partly that growth also has been triggered by the fact that we opened some premium Insignia screens during the year and our plan is to keep on improving our screen mix as well. And as long as that happens you would see a fairly robust increase in ticket prices as well.

Moderator: Thank you. We take the next question from the line of Sameer Pardikar from ICICI Securities. Please go ahead.

Bhupendra: My question was particularly on the CAPEX front, I just wanted to understand the number that we say Rs. 160 crores for the total CAPEX that we did in FY17, there must have been kind of CAPEX which would have done in terms of maintenance or upgrading the screens. So the first question would be how much of the screen up gradation normally happens and a follow up to that would be, what exactly how much percentage of the screens are premium and what we are doing in terms of increasing the pie of the premium screens in our portfolio?

Deepak Asher: If you were to look at my total CAPEX to be about Rs. 150 crores, Rs. 160 crores I would say roughly 2/3 of that would be a new screen or new properties we are opening and roughly about 1/3 of that would be for renovation of existing units or upgradation of those existing units.

Bhupendra: Similar would be the ratio of FY19.

Deepak Asher: Yes.

Bhupendra: How much screens or properties have we renovated?

Deepak Asher: I do not think I have that number in front of me. I probably need to get back to you with those numbers.

Bhupendra: How much is the premium screens right now in terms of overall portfolio?

Deepak Asher: If I remember right there should be roughly about 28.

Bhupendra: And do we have any particular target that we are moving on in terms of making this portfolio?

Deepak Asher: I mean we have our internal plans, but that is not the target we are discussing in the public domain.

Moderator: Thank you. We take the next question from the line of Amit Kumar from Investec Capital.

Amit Kumar: So actually, just on the screen adds bit, given the fact that in FY18 our target initially was around I think at the beginning of the year 47-48 we ended up doing around 25 there is a shortfall of around 20 and in any given year we end up sort of guiding for audition of around 50 screens because those 20 screens will now come in FY19, I would have expected a full year sort of screen addition of closure to 65-70 essentially am I missing something here?

Deepak Asher: Yes, again as I mentioned because of the fact that every year we have been not able to maintain our target. We have cautiously decided to be a lot more conservative this year and project very conservative screen addition target for this year. Hopefully, we should if at all be able to surprise you on the positive side rather a negative side on this.

Amit Kumar: Just one small follow-up on this in the third quarter presentation there was one big property in Coimbatore that you are planning to launch almost (+2000) screen I do not see that in the line-up this time around and it has not got launched in Q4. What happened specifically with this property and is this Rs. 8.5 crore of exceptional item is that related to this property?

Deepak Asher: First of all, that is not related to the Coimbatore property but what happened on the Coimbatore property I would request Alok to take that question.

Alok Tandon: Well here also we are waiting for licenses and again we said that it is better to be not very aggressive about it and we are hopeful that we should get the license in this financial year and open it.

Amit Kumar: It is not showing in the pipeline which is why I sort of asked this question.

Deepak Asher: We are conservative in that and we thought we will probably surprise you positively.

Amit Kumar: There smaller properties 600-700 seats it does not matter where 2000 seat property give just makes us a little bit jittery that is all. Quickly on the real estate, in the past you mentioned Rs. 350 crores amount I presume this is market value and not book value. In our past discussion, you sort of mentioned that you do not plan to monetize it because it was not a very tax sufficient transaction if you were to sort of sell and lease back this property now with GST coming in has that situation changed a bit?

Deepak Asher: The tax inefficiency arising because of two reasons – one was the service tax on the property rental which should not have been setoffable, and the second was the capital gains tax that you have to pay on the sale of this properties. So the first obviously has been addressed the second is not yet addressed. In the final analysis whether you would use this real estate for your funding needs or for your capital raising needs is a function of what the capital cost would be for this properties versus at what cost you could source debt. So as long as I have a balance sheet which is strong enough that enables me to raise plain vanilla debt at about 8.5% they

would not be a need for me to sell and lease this back. So, it is a function of optimizing your borrowing cost rather than monetizing these assets.

Amit Kumar: Just if I am reading you right then 8.5% debt rate is sort of the benchmark, if the capital market sort of worsen, you are forced to take debt at more than 8.5% then you are better off eventually monetizing these assets is that what you think?

Deepak Asher: Right now, the cost of debts remains at 8.5%, if this goes up because of liquidity becoming scarce we will also have to see what is the cost of monetizing these assets? If it is for example 12% then obviously the cost of debts needs to be higher 12% for this to be more cost effective of raising capital.

Moderator: Thank you. We take the next question from the line of Deresh Pathak from Goldman Sachs. Please go ahead.

Deresh Pathak: Is there a difference in the way we calculate occupancy ratios versus of how PVR because they consistently report better occupancy numbers? So I am assuming although we have shown a lesser decline in comparable footfalls versus them, but our occupancy numbers are much lower than what they report, is there a difference in the way if you calculate?

Deepak Asher: First of all, I do not know how PVR calculates the occupancy number, but as far as we know I think there is a fairly standard way of calculating the occupancy number and I do not believe that there should be any difference the way we do it.

Deresh Pathak: So on a footfall per screen basis on an annual basis because I remember you explaining that occupancy is not the right metric, you look at it at maximizing the footfalls per screen so that metric is lower for us versus the competition. So, is it just because of the mix of screen and their location or have you done any analysis into that?

Deepak Asher: Typically, on calls like this we do not directly compare our performances competition, we just discuss what our performance has been. And on a per screen basis, you are right the footfalls have gone down from about 31 lakhs to about 28 lakhs for the quarter and about 1.32 lakh for the full year to 1.22 lakhs for the full year that is a fall of about 8%, but this as I mentioned would have largely been addressed had those two aberrations were not taken place. I do not want to comment on how this compares with anybody else in the industry because that purely is going beyond the ambit of this call.

Deresh Pathak: I just want to get your outlook on the ad revenue again because you have done a good job this year. I think I have missed it or I do not know if you gave that outlook on per screen ad revenue growth?

Deepak Asher: Yes, I did and of course I am not giving you any growth projections going forward, but what I did mention was that the absolute ad revenue has gone up by 44% from Rs. 96.2 crores to Rs.

138.9 crores even on a per screen basis this has gone up by 33% from Rs. 22.37 lakhs per screen per annum to about Rs. 29 lakhs per screen per annum and we expect that the momentum of growth will be maintained going forward as well. Now whether it will be 33% higher or lower it is difficult for me to share at this stage, but we do expect because our focus is to make this key revenue driver for us and we are working to ensure that happens.

Moderator: Thank you. We take the next question from the line of Nilesh Khuranna from Athena Investment. Please go ahead.

Nilesh Khuranna: Just help me understand what percentage of a total box office collection shared with the producers or distributors and what has been a trend on this numbers in the past 3 years and how do we foresee this numbers playing out going forward?

Deepak Asher: Well again that is given in the presentation on Slide #8 if you see depending on whether you compute it on GBOC or NBOC basis. On net box office in FY17 we paid 44.4% output distributors last year this year it was 44.6% and on GBOC it was 35% going up marginally to 35.1%. So roughly speaking we pay out about 44% to 45% of the net box office collection or around 35% of the gross box office collection from ticket revenues to the distributors and this number we believe has been fairly consistent historically at least for the last 5 or 6 years and we do not expect any significant change in this going forward as well.

Moderator: Thank you. We take the next question from the line of Ashish Kumar from Infiniti Finance. Please go ahead.

Ashish Kumar: I think a lot of questions have been asked, but my question was in relation SPH, I know it's subjudice, but if you want to talk a little bit about your perspective about the recent High Court judge's comment and the PIL in relation to the pricing of the F&B and do you see any risk on that margin on the SPH going forward?

Deepak Asher: First of all, I believe I need to correct misconception if you look at the PIL, it does not say anything about pricing. The PIL is for the limited purpose of allowing outside food to be brought into cinema premises. There is no prayer no request no mention, no discussion or no consideration of pricing at all. So I think this is something needs to be corrected because some media have reported that this PIL was on pricing which it is not. We believe and again we have presented this before the court that we have a right to decide what is brought into the multiplex properties and what is not for various considerations including those of safety and security and the rule that we have frames are in line with that. We also believe that this is practice which is not only globally followed for cinemas across the world but is also followed in a lot of other arenas as well including, for example, sports fields, drama, hotels, restaurants and in some cases even airlines. So we have presented that contention before the court and I am sure the court will take a decision that is considered to be fair to both sides and just as the petitions have prayed that it is a fundamental right to bring in outside food into cinema premises, our contention also is that it is our fundamental right to decide what is brought into our premises

and what is not, but again the matter is subjudice and will obviously defer to the Courts to take a fair decision in that matter.

Moderator: Thank you. We take the next question from the line of Girish Pai from Nirmal Bang Securities. Please go ahead.

Girish Pai: In my earlier interactions with the management I was made to understand that you would have a very aggressive roll out plan in the NCR region, but when I look at the FY19 pipeline, I see that you are probably setting up just about 6 screens or so. Has anything gone wrong in terms of the expansion in the NCR region?

Alok Tandon: Not at all, what we have discussed is that yes, our pipeline is very robust for the NCR region and that continuous to be there. Again, as we said that we have been very cautious for this financial year telling you that which properties will open, but beyond FY19 the properties which you have signed will come up for fit-outs and we will be opening more screens in the NCR region after that.

Girish Pai: And the second question is regarding advertising growth you mentioned the momentum would continue so if I recall correctly you talked about something like Rs. 22 lakhs going to Rs. 29 lakhs so there about for advertisement revenue per screen you see the same rate of growth continuing into FY19?

Deepak Asher: As I mentioned I will not be able to give you a specific number and if I were to tell you that I see the same rate of growth that would be giving you a specific number. So I am afraid I would not be able to do that. I just want to reiterate that advertising revenue is one of our key drivers of revenue growth and our management focus is significantly on this and we expect the robustness of growth to continue.

Girish Pai: Would you be doing anything differently in FY19 versus FY18?

Deepak Asher: I think I will do very well if we continue to do what we are doing which is exhibit a 33% growth on a per screen basis and 44% growth on absolute basis.

Girish Pai: No in terms of strategy or operational basis?

Deepak Asher: Again, we have several plans, I do not wish to discuss that on an Analyst Call, but we are taking several initiatives to ensure that this momentum of growth continuous.

Moderator: Thank you. We take the next question from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: If I have missed out on the F&B gross margin, so any specific reason why that has dipped on sequential basis and outlook on the margins for FY19?

Deepak Asher: Well I think to some extent this is a little bit misleading because the cost appears to have gone up and the margin appears to have gone down because of the fact that input tax credit is no longer set-offable. What it misses out is that on the top line side the tax has become lower from 10% to 5% so that is not captured in a margin calculation.

Naval Seth: So is it fair to assume that FY19 margins would be similar to what we have seen in Q4 or it will be better than in this?

Deepak Asher: I think it will be fair to assume broadly about 75% of net contribution**.**

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

Amit Kumar: Just actually one bookkeeping question which I missed previously, what is the share of Bollywood, Hollywood and regional cinema in your circuit for FY18 and what was this number for FY17, please?

Deepak Asher: I think again there is not too much change happening over the last 3 or 4 years. I have that number handy with me, but I can share with you Hindi, for example, over the last 4 years has been 65% in FY15, 66% in FY16, 65% in FY17 and 66% in FY18. English has been 16%, 14%, 15%,14% and Regional has been 19%, 20%, 20% and 20%. So, I think the mix consistently has been around 65% Hindi, 15% English and 20% regional.

Moderator: Thank you. We take the next question from the line of Girish Pai from Nirmal Bang Securities. Please go ahead.

Girish Pai: There was some media article which appeared I think a few days back regarding the Rajasthan and UP governments giving you reimbursements on the entertainment tax exemptions under the GST regime, has anything happened on that score?

Deepak Asher: Just to give you the context and the background. Earlier entertainment tax policies provided a tax exemption for new multiplexes for a certain period. For example, in Rajasthan, it was 50% tax exemptions for a period of 7 years. From 1st July onwards once GST came into being, obviously, there was no exemption going forward, but the GST rules envisaged that exemptions already granted earlier would be grandfathered. Now unfortunately none of the states came up with the grandfathering policies and therefore we have to regrettably go to the Courts which we did in Rajasthan and UP in a sense seeking a direction from the court that the state governments be advised to announce their polices. So pursuant to that, I believe Rajasthan has already come out with a tax exemption grandfathering policy. We are examining that as to whether that meets with the requirements or not, in the sense the whole objective was to ensure that what was promised to us in the past is fulfilled under the GST regime as well. And we expect this to happen in other states as well because clearly, the whole principle of GST was that rewhere exemptions which were already granted earlier this should be

grandfathered, there no fresh exemptions would be granted, but what was promised earlier would be continued and that was that newspaper article was about.

Girish Pai: This is only from the Rajasthan government and not from the UP Government?

Deepak Asher: As of now only Rajasthan has announced a grandfathering scheme, but we do expect that more and more states will because clearly, this was something which has been enshrined in the GST legislation.

Girish Pai: Just a follow-up on that if and when this thing gets cleared will the backlog be taken up in one single quarter or it would be spread out over the many quarters.

Deepak Asher: Again, difficult to say. We will have to see how the grandfathering scheme is formed or whether they give it retrospectively or whether they give prospectively for the residual period will have to see that.

Moderator: Well that was the last question. I now hand the floor over to the management for their closing comments.

Deepak Asher: Once again we believe that we have performed quite well. Despite the fact that occupancies are not improved significantly footfalls have been pretty stagnant but because of our improvement in average ticket prices, food revenues, advertising revenues we have been able to show a pretty strong bottom line and we expect to be able to maintain this momentum of growth in the operating and financial parameter going forward as well. On behalf of the management of INOX Leisure, I like to thank all of you for attending this call and we hope that your interest in this company will continue going forward as well.

Moderator: Ladies and Gentlemen on behalf of Axis Capital Limited this concludes this conference. Thank you for joining us. You may disconnect your lines now. Thank you.