INOX
LIVE THE MOVIE

13th February, 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, 29th January, 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

Dhanraj Mulki
Vice President - Legal
& Company Secretary

Encl.: As above.

INOX LEISURE LTD.
5th Floor, Viraj Towers, Next to Andheri Flyover, Western Express Highway, Andheri (East), Mumbai 400 093, India.
Tel (91 22) 4062 6900 • Fax (91 22) 4062 6999 • E: contact@inoxmovies.com • www.inoxmovies.com

Registered Office : ABS Towers, Old Padra Road, Vadodara 390 007 • Tel (91 265) 6198111 • Fax (91 265) 2310312 • CIN: L92199GJ1999PLC044045

"INOX Leisure Q3 FY2018 Earnings Conference Call"

January 29, 2018

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 LTD.
MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER - INOX LEISURE LTD.

Moderator: Ladies and gentlemen, good day and welcome to INOX Leisure Q3 FY2018 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 "*" 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. At the outset, I would like to thank all of you for dialing into Inox Leisure Ltd Post Results Earnings Call for the quarter ended December 2017. The call will be initiated with a brief management discussion on the quarterly as well as the nine-month 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 Ltd and Mr. Kailash B Gupta, CFO, Inox Leisure Ltd. Over to you Mr. Asher!

Deepak Asher: Thank you very much Ankur. I am happy to inform you that the Board of Directors of Inox Leisure Limited, at a meeting recently concluded this afternoon has approved the quarterly and the nine monthly results for the year ending December 2017. The results have already been uploaded on the website of the company as well as both the stock exchanges and along with the results we have also uploaded a copy of the earnings presentation, which I trust all of you would have had an opportunity of reviewing but nonetheless what I would like to do is take you through some of the key highlights of the operational and financial performance of the company. What we are presenting in this presentation is a YOY comparison, which means Q3 FY2018, as compared to Q3 FY2017 and nine months ending December 2017 are compared to the nine months ending December 2016.

First of all the quarterly numbers, revenue from operations went up from Rs.298.0 Crores to Rs.325.9 Crores that is an increase of 9%. EBITDA increased from Rs.31.7 Crores to Rs.46.3 Crores that is an increase of 46%. EBITDA margin, as a result, improved from 10.6% to 14.2%. PAT improved from Rs.3.8 Crores to Rs.13.2 Crores that is an increase of 251%, PAT margin, therefore improved from 1.3% to 4.0%.

For the nine-months the figures were, revenues increasing by 10% from Rs.932.2 Crores to Rs.1024.5 Crores. EBITDA increasing by 38% from Rs.121.0 Crores to Rs.166.6 Crores as a result of which EBITDA margin for the nine-month period improved from 13.0% to 16.3% and PAT increasing by 88% from Rs.30.3 Crores to Rs.56.9 Crores as a result of which PAT margin improved from 3.2% to 5.6% for the nine-month period.

If you look at the breakup of the total revenues, as you all are aware our revenue comprised basically of four streams, there is net box office revenue, net food and beverage revenue, advertising revenue and other operating revenues.

The net box office revenue for the three-month period increased by 6.5% from Rs.176.4 Crores to Rs.187.9 Crores. The net food and beverage revenues increased by 8.2% from Rs.67.6 Crores to Rs.73.1 Crores, advertising income improved by 33.3% from 30.2 Crores to 40.3 Crores and other operating income improved by 3.9% from 23.7 Crores to 24.6 Crores as a result of which total revenues for the quarter increased by 9% as I mentioned earlier from Rs.298 Crores to Rs.325.9 Crores.

For the nine months the figures are, net box office revenues improving by 7.6% from Rs.569.4 Crores to Rs.612.7 Crores, F&B revenues improving by 4.6% from Rs.218.4 Crores to Rs.228.4 Crores, advertising revenues improving by 40.4% from Rs.75.3 Crores to Rs.105.7 Crores and other operating income improving by 12.4% from Rs.69.1 Crores to 77.7 Crores as a result of which the nine-month revenue improved by 10% from Rs.932.2 Crores to Rs.1024.5.

The other interesting feature is the adverting income now comprise of about 12.4% for the quarter out of the total revenues and other operating revenues 7.6%, which means around 20% of our income come from other than box office and food and beverage collections.

The top five movies for INOX for the quarter included Tiger Zinda Hai that had a footfall of 16.98 lakhs and GBOC i.e Gross Box Office Collections of Rs.41.51 Crores, Golmaal Again had footfalls of 18.64 lakhs and GBOC of Rs.38.16 Crores, Judwaa 2 had 9.53 lakhs of footfalls and about Rs.17.01 Crores of GBOC, Secret Superstar had 6.76 lakhs of footfalls and Rs.15.04 Crores of GBOC and Fukrey Returns had 8.08 lakhs of footfalls and Rs.14.32 Crores of GBOC. The top five films accounted for about 59.99 lakhs in terms of footfalls, which is about 49% of total footfalls for the quarter and about Rs.126.04 Crores of GBOC, which again is roughly about 52% of the total GBOC. The top five films are maintaining the trend that we have seen in earlier quarters accounted for roughly about half of our footfalls and half our gross box office collections.

Now if you look at the operating parameters behind these financial numbers; footfalls actually fell in the quarter as compared to the quarter of the earlier year from 124.7 lakhs to 121.3 lakhs that is a fall of 2.7% as a result of which occupancies actually fell from 26% to 24%. For the nine-month period, footfalls were virtually the same, 407 lakhs, vis-a-vis 407 lakhs. Occupancies fell from 28% down to 27%. If you look at trend for comparable properties, for footfalls and occupancies, the fall is a little bit sharper. In the quarter 113.6 lakhs of footfalls fell to 108.5 lakhs, which is a drop of 4.5% as a result of which, comparable properties, occupancies fell from 26% to 24%. These are quarterly numbers. For the nine-month period, footfalls fell by 4.2% from 368 lakhs to 352.6 lakhs. Occupancies fell from 28% to 27%.

On the other hand, there is a significant improvement in the average ticket price. Average ticket price increased from Rs.182 in Q3 FY2017 to Rs.199 in Q3 FY2018 that is an increase of 9.6%. For the nine-month period, the increase in ATP was 7.3% from Rs.179 to Rs.193. If you look at the ATP for comparable properties, there is a similar increase from Rs.183 in Q3 FY2017 to Rs.199 in Q3 FY2018 that is an increase of 8.8% and hence a significant part of the ATP increase

has been on comparable properties. For the nine-month period, the ATP increased from Rs.181 to Rs.194 that is 7.3% increase.

The spends per head on food and beverage also saw a significant improvement from Rs.63 in Q3 FY2017 to Rs.70 in Q3 FY2018 that is an increase of 10.5%. For the nine-month period, the increase was a bit more modest Rs.63 going to Rs.66, which is 5.5%.

Net Contribution from F&B was 76.1% in Q3 FY2017, marginally going down to 75.8% in Q3 FY2018. For the nine-month period, the cost had been 75.8% in FY2017 as compared to 76.0% FY2018 because of the fact that there was a small fall in the cost as well as the improvement in spend per head the contribution from food and beverage have improved from Rs. 47.94 in Q3 FY2017 to Rs. 53.06 in Q3 of FY2017 that is an increase of 11%.

Long-term efforts to increase advertising revenues that we have been working on for the last few years have now begun to bear fruit. We have seen advertising income increase by 33% in the quarter, Rs.30.2 Crores to Rs.40.3 Crores and for the nine-month period the increase is 40.4% that is from Rs.75.3 Crores to Rs.105.7 Crores. You will also see, this being an impact not just for the increasing number of screens but even on per screen basis advertising income has gone up by around 28% to 30%.

Other operating revenues have seen marginal increases, Rs.23.7 Crores in Q3 FY2017 to Rs.24.6 Crores in Q3 FY2018 that is an increase of 3.9% and for the nine-month period, the numbers were Rs. 69.1 Crores, going up to Rs.77.7 Crores that is an increase of 12.4%.

On the cost side, payout distributors have gone up marginally. On NBOC terms it has gone up from 45.7% to 46.9% for the quarter. For the nine-month period, it has gone up from 44.6% to 45.5%. This is largely because of bonuses payable on films that did well and larger footfalls in the first week where the percentage shared with distributors is a bit higher.

Other operating costs or other overheads per operating screen has gone down by about 3% from Rs.40.1 lakh per screen for the quarter in Q3 FY2017 to 39 lakhs per screen for the quarter in Q3 FY2018. Again for the nine-month period as well we see a similar drop of 3% from Rs.122.7 lakhs to Rs.119.7 lakhs.

So that is a broad snapshot of our financial and operating parameters. In terms of new properties open as you would probably be aware, we opened in the first six months two properties, i.e. Pune Heritage Mall and Greater Noida Omaxe Mall with nine screens. During the last quarter, which is Q3, we opened three more properties with 12 screens that is a Mumbai Atria Mall, Kolhapur Reliance Mall and Ghaziabad Shipra Mall. So with this, we now have 122 properties and 488 screens, which make us the second largest multiplex chain in the country and our run rate of opening new screens have been consistently maintained at about three screens every month right since inception. We are now present in 19 states, 60 cities with 122 properties 488 screens and 121281 seats.

In terms of look ahead for the next quarter, we expect to open in this quarter, five properties that include properties in Coimbatore, Gurgaon, Bhubaneswar, Nadiad and Navi Mumbai with 22 screens and 4747 seats, which would take the total tally at the end of the year to be 127 properties, 510 screens and about 1,26,028 seats.

In addition, we also tied up for execution post March 2018 another 102 properties and 622 screens and 1,13,000 seats and once we execute this growth plan, our total tally will be 229 properties, 1132 screens and about 2,39,000 seats.

There is clearly a very strong visibility of new screens backed by signed agreements. In terms of content pipeline, which we have also provided in the presentation, I would not take you to that right now, there is a list of movies that is expected to come up during the next three or four months. I think the significant releases are January 25, 2018, Padmaavat, which has already happened. Padman is being released on February 9, 2018 and then you see Raid on March 16, 2018, Baaghi 2 on March 30, 2018 and in April we have 2.0 and Avengers Infinity War. So that is a snapshot of our property pipeline as well as the content pipeline. I now like to hand this over to Ankur for Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Thanks for the opportunity. Congratulations on a good set of numbers. I had two questions; one is on the ad revenue part of it, if you can just highlight, of the growth, how much accounts from the volume which would mean minutes growth and how much was an account of pricing if you can give me for this quarter as well as the nine months?

Deepak Asher: Very broadly a significant part of the growth for the quarter was out of the volume increase around 27% to 28% happened because of the volume increase, around 4% to 5% happened because of the price increase; however, the numbers are the other way around for the nine-month period, the volume increase is about 11% and the price increase is about 27%.

Niket Shah: The second question, which I wanted to understand, is whatever new screens that you plan to open over a period of next two years, if you see rental cost or the cost of opening from a capex perspective, is the capex going to be slightly higher or substantially higher than what you have done in the last one-and-a-half year in terms of new screens, so what I am trying to understand is that, are the newer screens coming at a higher rental cost or higher capex cost?

Deepak Asher: To be honest with you, it is going to be difficult to generalize because it is significantly dependent on which property, which catchment, which city, what location, and what the competition scenario is over there, but I think, very broadly speaking the trend in terms of capex is about Rs.2.5 Crores per screen and again for rental side it is difficult to generalize because it is very, very property specific.

Niket Shah: Assuming on a like-to-like comparable basis between your own properties per se in a close back catchment area, would say very broadly you would still see some bit of inflation?

Deepak Asher: Well, you are normally seeing some inflation for sure.

Niket Shah: Okay. Got the point. Thank you so much and I will come back .

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. Sir you had highlighted in the opening remarks regarding a fairly good trend in realizations in terms of the average ticket size as well as a food and beverage so that is an increase of about 9% to 10%, so just wanted to understand what are the drivers for this and how much of this increase can we expect around sustainable basis?

Deepak Asher: Well, the drivers for the ATP were to a large extent due to the quality of content that was anticipated and during this quarter, we had some blockbusters like Tiger Zinda Hai and Golmaal Again, which we thought could absorb our average ticket price and, therefore, if you do see content of that kind happening then obviously this kind of price increases would be something that you would see happening in the future as well. On the other hand, on F&B, we have highlighted earlier our initiative to improve revenues from F&B as well as advertising, though your question was focused largely on F&B, we are widening our menu offerings and we are kind of including a whole lot of new options on the menu including in several locations, fresh food. We are also consciously shifting from low price combos to higher priced combos in order to improve our realizations on F&B, we are significantly increasing the transaction points, i.e. the points of sales for our consumers to be able to buy F&B, so a whole lot of initiatives on F&B is driving the increased spend per head.

Yogesh Kirve: Sir any guidance or indications regarding what sort of an increase could be sustainable on the F&B front?

Deepak Asher: Well we are hesitant to give specific quantitative guidance going forward, but I think initiatives that we have taken would be expected to gain momentum going forward as well.

Yogesh Kirve: Sir my second question regarding if I look at the gross F&B spend per head and net F&B revenue so when I calculate the tax incidence so it works out to something like 16%-17% in this quarter versus about 23% in the second quarter, any inputs on somewhat is driving this thing?

Deepak Asher: You are right, there was GST change that happened for food and beverage from what was 18% earlier to about 5%, the 18% was with input tax credit and 5% was without input tax credit, so to that extent these quarter numbers are impacted by the change happening from November 15, 2017, so this is actually a mix of two different taxes regimes on F&B.

Yogesh Kirve: So this change in tax regime, I mean going to 5% without input credit, so is it beneficial or is it net-net neutral?

Deepak Asher: It is neutral because frankly, the impact of 18% tax with input tax credit is exactly equal to 5% without input tax credit, it does not affect the bottom line at all.

Yogesh Kirve: I understand. That is all from me. Thanks a lot and all the best.

Moderator: Thank you. The next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead.

Shekhar Singh: I wanted to know like the capex you mentioned per screen will be around Rs.2.5 Crores per screen and what will be other expenditure, which will be needed to make it operational or this is fully operational, the capex is basically enough to make it fully operational?

Deepak Asher: I think it includes almost everything that is required to operationalize, it will be a marginal deposit payable to the property owners for that property but that is about it.

Shekhar Singh: And the cost of running per screen you mentioned is around Rs. 39 lakh per screen right now per quarter?

Deepak Asher: Well that is only the fixed cost or the overheads that is obvious, when you run a screen there is a tax cost then there is a distributor payout involved so those are the two other direct costs that we normally do not include in the overheads. What I mentioned as Rs. 39-40 lakhs per screen per quarter was overheads specifically.

Shekhar Singh: Okay, so in this business how can you increase the return ratios here, because the return ratios do not seem too good Sir?

Deepak Asher: Well, I do not know what is that good. I mean it is relative and subjective, but I would tend to think the first part of the question was how do you increase return ratios, well a) good content, which leads to better footfalls would improve return ratios, b) ATP and Spend per head improvements and also non-footfall related revenues, which is adverting income and other operating income, improvements in those, you might have seen, wherein we made a consistent efforts over the last several quarters to improve our non-footfall related revenues, significant improvements which has led to a significant increase in return ratios as well.

Shekhar Singh: Thanks a lot Sir.

Moderator: Thank you. The next question is from the line of Ashish Kumar from Infinity Alternative. Please go ahead.

Ashish Kumar: Thank you and congratulations on a good set of numbers. I had a couple of things. One was on the advertisement revenue, we have seen a good tractions in the last two quarters, the question was how sustainable do you think and can we start considering in a similar kind of a growth over the next few quarters or do you think that it is a one time adjustment that we are seeing in terms of way advertisement revenues?

Deepak Asher: Frankly it is neither a one-time adjustment nor it will be fair to say that you would see a significant kind of growth. We have demonstrated a 33% growth on a quarterly basis, in advertising income, 40% for a nine-month period and I do not think it will be wise to say that we will be able to maintain a momentum of 40% growth going forward as well. But at the same time, I also would not say that this is a one-time increase given the fact that we have taken several initiatives to improve our advertising income and thus there remains some headroom to still improve it further so I do see some kind of growth happening going forward as well.

Ashish Kumar: Would it be fair to say that it will be significantly more than let us say the inflation and the new property additions, is that a fair assumption?

Deepak Asher: Yes, surely, certainly yes.

Ashish Kumar: Right and second question was in terms of the ATP increase of around 9% odd on similar properties, how much of that has come because of the change of the mix in terms of the Insignia that we are trying to do, and how much of that is to pull up the trade?

Deepak Asher: No, I think very small part of that has come because of the Insignia. In fact we are just looking at the impact of Insignia on an overall because the number of seats of Insignia was so small, then the overall impact would be fairly small and that is also gone up, if you look at comparable properties ATP and by comparable properties, we mean properties that we are operating in Q3 FY2017 versus Q3 FY2018 as well that increase is 8.8% out of the total increase of 9%.

Ashish Kumar: So that 8.8% is not in relation to any property, which may have been upgraded to Insignia property?

Deepak Asher: Yes, I know that is why I am saying that is comparable property, so if there was an Insignia in 183 there is the same Insignia in 199 as well. Obviously, that is not impacting the increase. I would say more than 90% of the increase in ATP is because of the actual increase in ticket prices than because of the change in the mix of the quality of properties.

Ashish Kumar: Thanks a lot. I think a great set of numbers we will look forward to more such numbers in the future.

Moderator: Thank you. The next question is from the line of Sanjeev Hota from Sharekhan Limited. Please go ahead.

Sanjeev Hota: Thanks for the opportunity and congrats for a great set of numbers. One question regarding this Padmaavat issues I read somewhere that Rajasthan, Gujarat, MP and Goa Multiplexes Association has canceled the show, so we have cumulatively around 140-145 screens over this four states so what is the message from there and how the other states faring in this Padmaavat screening?

Deepak Asher: Well, I think the film is doing fairly well. Box office collections of the movie are in the public domain, so if I remember right they had touched about 110 Crores till yesterday, so the film is

doing quite well, you are also right to the extent that four of the states had decided in view of the prevailing law and order situation not to screen that movie but I think as time goes by as the situation calms down and as perhaps the actual content of the movie is known to the wider public perhaps the anger against this movie is also subsiding. We have already opened in Goa and if things remain normal and/or improve going forward we might gradually consider opening in all the states.

Sanjeev Hota: But we could not get the number of screens for Padmaavat because many more big movies are coming in?

Deepak Asher: No, I do not think that should be an issue again, it depends on when we decide to open in other places like for example if you could decide for the next couple days then I do not think there is any other large movie coming in the next two days.

Sanjeev Hota: Okay, there is a possibility of opening next few days also?

Deepak Asher: Well, all possibilities are on the table. I would not say no to any possibility because as I said we will have to see, it is difficult to pre-judge the issue because it depends on how the situation evolves and we will have to see that before we take a decision.

Sanjeev Hota: One question on this margins part, how do we see the margins going forward and last quarter you alluded to the fact that there are some savings from the outsourcing of manpower and also input cost credit from GST how those things are faring and still there is something out of this which is the cause for exceeding of margins?

Deepak Asher: Again margins are a function of two things, one on the revenue side as you would have seen we have made focused efforts to improve our revenues on all forefronts, improvements in average ticket size, improvement in spend per head on food and beverage as well as controlling cost on the food and beverage, improving our advertising income, which actually adds to the bottom line and increasing our other operating revenues. On the other hand, we are also trying to control our overheads per operating screen. There is very little you can do on the film distributor share or the entertainment tax part or the GST part now but on other overheads we are trying to exercise whatever controls we can and we have as you would have seen from the numbers our total overheads per screen have gone down by about 3%. This is despite one would assume about 5% to 6% inflation, so in real terms actually the reduction has been much steeper than that.

Sanjeev Hota: That is all from my side. All the best. Thank you.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang Institutional Equities. Please go ahead.

Girish Pai: Thanks for the opportunity. Did I hear you right when you said that your ad revenue growth of 33% is the split between 28% volume and 4%-5% price growth?

Deepak Asher: For the quarter, yes.

Girish Pai: So that seems to be a dramatic shift in strategy vis-à-vis the first half I mean what is prompting this. Is there a pushback from advertisers on the price increase?

Deepak Asher: No, as I mentioned, if you look at the nine-month period it is the other way round so the volumes for the nine-month period is actually improved by 11% and the rate has improved by 27%. It is difficult to conclude based on the numbers of just one quarter but clearly there is no push back and last part about the price increase that we intended to pass on to our advertisers is being absorbed by them.

Girish Pai: If I look at the operating costs per screen 3Q has seen a fairly sharp jump in the employee benefits per screen by something like 9.6% whereas for the nine-month the same number is up 1.9%, did you do anything specific in the quarter in terms of employee cost intervention?

Deepak Asher: That is correct. We have actually increased our manpower in order to be able to better service our patrons particularly in some of our higher priced properties as well as across all properties where we are increasing the transaction points for improving our F&B revenues and that while it adds up to the cost it more than compensates by adding up to margins from ATP as well as F&B.

Girish Pai: Okay, just one last question regarding this very muted increase in operating cost per screen, what is the outlook going forward, I mean do you think this can be repeated, probably you had some tax benefits, a kind of input tax credit, which you probably benefited from in this year but going forward will it be like 4%-5% growth or you still think it is going to be much more muted than that?

Deepak Asher: Our effort would be to keep it as muted as possible. It is difficult for me to give you a kind of specific number but obviously, our effort is going to be maintaining the cost at the same levels even after inflation.

Girish Pai: Thank you.

Moderator: Thank you. The next question is from the line of Darpan Thakkar from HSBC. Please go ahead.

Darpan Thakkar: Thanks for the opportunity. I have two questions; one is regarding the addition of screens so you are saying 622 screens we have already tied up so all the screens are with tie-ups with malls only or it includes some other kind of initiatives like tieing up with single screen owners and converting their properties into multiplexes and running them?

Deepak Asher: No, virtually all of them would be a tie-up with malls.

Darpan Thakkar: So are there any other initiatives also running on the background or we are currently focusing only on the malls?

Deepak Asher: Most of the focus we would say is going to be developing with the malls.

Darpan Thakkar: Second question regarding these footfalls so are there any kind of trend that you are seeing that more and more footfalls are coming up in movies, which are doing well and footfalls are declining majorly in movies, which are not doing well are there any such kind of trends? Like my question is coming from that, is the trend of OTT impacting the footfall at multiplexes?

Deepak Asher: Two different questions; first of all do you see any trends in terms of the better movies having more footfalls than what they used to be earlier versus the not so good movies doing not that well. Well, no, and the data that we have got is, the top five films typically contribute anywhere between 49% and 51% of our footfalls and around 51% to 53% of our GBOC. This has been the trend that we have been observing consistently for the last several quarters. You know give and take one quarter where you saw an aberration, and I think the long-term trend has been to this effect and therefore I do not think that it will be fair to say that better movies see much more footfalls compared to what the better movies did in earlier quarters. Secondly as far as distribution of content through alternate platforms is concerned, our arrangement with the distributor is that there is an exclusive theatrical window granted and the distributor cannot release the content through other platforms till that exclusive theatrical window is completed and hence competition from alternate content would to a large extent be mitigated by this theatrical window exclusivity.

Darpan Thakkar: Thanks.

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

Amit Kumar: Thank you so much for the opportunity Sir. I joined the call a little bit late, so my apologies if this is a repeat. Actually most of the operating matrix broadly into the tracking fine just on the footfall bit, I just wanted to understand this because at a circuit level we have seen a decline coming off a low base so last quarter Q3 FY2017 footfalls had declined compared to Q3 FY2016 and on that base we have seen a bit of a decline, now when we analyze the box office performance of films even without Padmaavat, the Hindi side of the business seemed to have done well and the English bit was also fine, so is it because of GST because you know with GST coming in pricing in regional markets regional language film which used to be very low now they have gone up are they sort of struggling to settle down a bit? Or how do you sort of read into the footfall trend, the second consecutive decline, what would be your read into this?

Deepak Asher: If I have understood your questions correctly, I think what you are trying to ask is that films are doing well in terms of their total collection numbers but at the same time you see footfalls dipping you have observed that for before two quarters. I think to some extent what is happening is, the overall collections of films is a function of total number of screens and the total ATP, number of screens clearly are going up at an industry level and hence films tend to clock in better collections because of the combined impact, despite lower footfalls so even footfalls went down by 3% but if your ATP is gone up by 10% and if the number of screens are gone up by 10% you will see an overall improvement of about 17% to 20% in film collection. So that I guess would help to reconcile this apparently conflicting phenomenon of likely falling footfall at the same time better overall collections.

Amit Kumar: Specifically if I just come back in terms of regional content have you seen post GST any kind of pressure because regionals are under GST where you had 0% in entertainment tax in most places suddenly you are at 18% and 28% tax so we have seen a couple of news report basically saying that regional markets post GST are still sort of struggling to settle down any sort of colour on that?

Deepak Asher: No if you look at our overall collections from regional content, they have remained at about 20% consistently for the past several quarters. I mean the last three years FY 2015, 2016 and 2017 the regional content was 20% flat and in this year Q1 was 20% in Q2 there was an aberration of 25% but that was more because of more Telugu content being available, Q3 was 19% and therefore the average for the nine months is 21%.

Amit Kumar: Okay and what would be this regional content share, if you were to go back to last year Q3?

Deepak Asher: I do not have the quarter wise numbers for the earlier years for the average, as I mentioned FY2015, 2016 and 2017 was 20%.

Amit Kumar: Sir coming to the screen additions bit also we seem to be our full year target is 43 and we have done around 21 so far, we seem to be lagging a little bit on that side, anywhere a specific colour on that front?

Deepak Asher: Well, we are not really lagging behind what we had planned. We had planned to do this in this kind of timelines and to a large extent in the plan itself we were planning to open 22 screens in the last quarter and we are well on target as far as that is concerned.

Amit Kumar: Just one final bookkeeping question from my end Sir. This entertainment tax, it was till FY2017 and 1Q FY2018 and not thereafter. The entertainment tax exemption in which particular line item was this booked in the box office revenues or in the other operating income?

Deepak Asher: Other operating income.

Amit Kumar: Sir can you just give me a quick colour on the other operating income also because if I just exclude this line item from the base quarter numbers, the other operating income has actually gone up by 15% what is driving that?

Deepak Asher: First of all convenience fees that is the charges we levy on our patrons for internet booking that has gone up then there is virtual print fee, which has gone up marginally, conducting fee is virtually flat. Those are the three key components. And of course entertainment tax exemption, which has actually gone down because as exemption dry down, but a large part is the fact that the convenience fee or the charges that is levied on Internet booking has gone up fairly significantly.

Amit Kumar: And what would be the share of Internet bookings in the total; I am sorry I know I am stretching it, my time a bit?

Deepak Asher: It is roughly about 42% for the nine-month period, 41% for the last quarter.

Amit Kumar: Thank you so much. That is it from my end.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just continuing with that the proportion of online booking how has this trend been over the last nine months and let us say over the last probably two to three years?

Deepak Asher: Okay, so FY2015 it was 20%, it went up to 27% in FY2016, 36% in FY2017 and 42% in nine-months FY2018.

Ankur Periwal: Okay and this growth is largely led by the platforms like Bookmyshow or probably our own app or the website is also helping in?

Deepak Asher: No largely the third party platforms like Bookmyshow, PayTM and TicketNew.

Ankur Periwal: That is helpful. Now secondly Sir on the ad revenue bit, now you did mention that you know over the last nine months obviously the growth is more led by the yield improvement if I go back probably it is almost two years, for us probably more than that, since we last took an increase in our yields do you think the time is right to take further improvement or probably we will still consolidate at these numbers?

Deepak Asher: Our effort is going to try and see how we can maintain a significant momentum of growth in our advertising income. It is difficult for me to divulge right now on a public call like this as to what the strategy is going to be in terms of a rate increase or volume increase, but we will do whatever it takes to try and see if we can maintain the momentum of growth rate.

Ankur Periwal: Okay Sir, so let me rephrase it. Are we looking at let's say annual hike or it will be based on more content driven hike?

Deepak Asher: That is more to an operating strategy. I do not think this will be the right place to talk that.

Ankur Periwal: That is it from my side. Thanks.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang. Please go ahead.

Girish Pai: Sir regarding this exemption on properties given as benefits by states, you mentioned that there needs to be some clarity yet to come from the states, has there been any movement on this, if no clarity comes through by 4Q what exactly do you think you are going to do in the financials, I mean you are going to do something, how you going to book it?

Deepak Asher: As of now we are booking for the tax, as it is due. The GST scheme provides for grandfathering of exemptions, which were already granted for the rescission period. We have approached the state governments to actually implement their concept of grandfathering. Unfortunately, we have

not seen any policy announcements on how exactly the grandfathering has happened but we are hopeful that since the law itself provides for it, it will happen sooner or later.

Girish Pai: I wanted to understand how you kind of account for revenues and profits from the managed properties, I mean the topline that you have right now include just the management fee or is it including the advertisement revenue and the NBOC and all that in the topline how is that accounted for?

Deepak Asher: It is managed by us. Our topline only includes the management fee that we get from them.

Girish Pai: The other question I wanted to ask you is the other operating revenue what would be the ballpark gross margin on this kind of revenue? Would it be like the 90%-95% which one sees in the ad revenue side?

Deepak Asher: Yes, you would see around 95%.

Girish Pai: Just one last question, on renewals of properties, I knew you have been in the business for a fairly long time, I am pretty sure that in the last nine months you would come across certain renewals when a renewal happens there must be some kind of a step jump in lease rentals. What kind of step jump have you seen in the recent quarters?

Deepak Asher: Well, first of all, the presumption behind your question was that we would have seen renewals in the last nine months, which actually really have not happened because most of our leases are for a very long period anywhere between a minimum of 15 years and 25 years.

Girish Pai: No, I agree Sir. I am saying that there maybe some properties, may be okay not in the last nine months maybe a few quarters before that?

Deepak Asher: We have not really seen any significant renewals because as I said, we have been in business now for about 13-14 years. First one or two years we had our own self-owned properties, which did not have lease rentals attached to them, so we have not really witnessed any such requirements for step ups on renewals.

Girish Pai: Thank you.

Moderator: Thank you. We have the next question from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Sir my question is when we say our cost of acquisition of screen is Rs.2.5 Crores, it is for what just as you mentioned 15 years or 20 years of lease, is it?

Deepak Asher: No, first of all I did not mention, cost of acquisition as cost of building. That is the interiors and equipment that is fit into leased out properties.

Jayesh Gandhi: I am sorry for that Sir. Sir what is the number of properties or screens owned by us and rented?

Deepak Asher: I think it is around six properties so that would translate to 24 screens that would be owned by us meaning the real estate is owned by us and the rest would all be the real estate leased out on a long-term basis.

Jayesh Gandhi: Sir my last question is if I see we have been adding like four screens per month in last two years, I mean FY2016 and FY2017 and I think we will do 44 around in FY2018 as you said so are we going to continue this run rate in FY 2019-2020 also or are we going to rationalize and looking at deleveraging the balance sheet?

Deepak Asher: No, I think we would be able to maintain the growth rate that we have been able to do in the last few months or last few years rather. The second part of the question did you mention deleveraging the balance sheet, I thought we were the most deleverage balance sheet in the industry.

Jayesh Gandhi: So what I meant is if we, say for couple of years if we are not I mean for next two years if we are not increasing our screen counts by say 40s and minimizing it by say 15 or 20 so it will be like gross reduction of borrowings?

Deepak Asher: Yes, but if you are suggesting that we should deleverage at the cost of growth, I do not think that that is a wise decision.

Jayesh Gandhi: No, that actually depends on management. Thank you very much Sir.

Moderator: Thank you very much. That was a last question in queue. I would now like to hand the conference back to the management for any closing comments.

Deepak Asher: Thank you once again all of you who participated in this call. We truly appreciate your interest. As we had indicated earlier, we try to increase our focus on what we call non-footfall related revenues, which is essentially advertising and other operating income. We have been to a large extent successful in that, which has helped improve our profitability and return ratios coupled with our improvements on box office and F&B revenues as well and as I mentioned earlier our effort will be to continue and maintain that momentum of growth going forward as well. Thanks very much for your interest and we look forward to your continued support.

Moderator: Thank you very much. On behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us. Ladies and gentlemen you may now disconnect your lines.