17th February, 2016

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 4th February 2016. A copy of Transcript of conference call held with the Investors / Analysts is enclosed herewith and the same has also been 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 Limited Q3 FY 2016 Results Earnings Conference Call”

February 4, 2016

ANALYST: **MR. ANKUR PERIWAL – AXIS CAPITAL**

MANAGEMENT: **MR. DEEPAK ASHER - DIRECTOR AND GROUP HEAD, CORPORATE FINANCE - INOX GROUP OF COMPANIES**
MR. ALOK TANDON - CEO - INOX LEISURE
MR. UPEN SHAH - CFO INOX LEISURE

Moderator: Ladies and gentlemen, good day and welcome to the post results earning conference call for Inox Leisure 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 telephone. I now hand over the conference over to Mr. Ankur Periwal. Thank you and over to you, Sir!

Ankur Periwal: Thank you Harsh. At the outset I would like to thank all of you for dialling into Inox Leisure Q3 FY'2016 earnings call. The call will be initiated with a brief management discussion on the quarterly performance followed by an interactive Q&A session. The management team here 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. Upen Shah, CFO Inox Leisure, over to you Sir.

Deepak Asher: Thank you very much Harsh and thank you very much Ankur. On behalf of the board of directors of Inox Leisure Limited I extend a very warm welcome to all investors, analysts and other participants on this call. I am very pleased to inform you that the board has just concluded the board meeting a couple of hours ago and has approved the quarterly financial results for the nine months ending December 2015. The results have been uploaded on the websites of Bombay Stock Exchange, National Stock Exchange and Inox Leisure and we have also along with the results uploaded the earnings presentation. Without much ado I would like to take you through some of the key operating parameters for the quarter ended December 2015 as well as nine months ended December 2015 and then I will give you a brief snapshot of the look ahead going forward.

Revenues for the quarter ended December 2015 went up by 14% compared to the quarter ended December 2014 from Rs.3 billion rupees to Rs.3.4 billion rupees, quarterly EBITDA is also up by 14% from Rs.463 million to Rs.528 million, EBITDA percentage therefore has gone up marginally from 15.4% to 15.5%. PAT margin has been virtually flat at about 4.8% in Q3 of FY2015 compared to 4.6% in Q3 of FY2016. Absolute PAT has gone up by 9% Rs.143 million to Rs.156 million rupees. These were figures for the quarter. For the nine months ended December 2015 as compared to nine months ended December 2014 revenues have gone up by 31% from Rs.7.99 billion to Rs.10.45 billion, EBITDA has gone up by 56% from Rs.1.1 billion to Rs.1.7 billion, and EBITDA percentage has improved from 14% to 16.7%. PAT has gone up by 155% for the nine month period from Rs.241 million to Rs.613 million, PAT percentage has gone up from 3% to 5.9%.

So that is a snapshot of the financial performance for the three months and the nine months ended December 2015. If you look at the breakup of revenues, and as all of you know the topline comprises of four components, gross box office revenues, food and beverage revenues, advertising revenues and other operating revenues. For the three months ended December gross box office revenues have gone up by 14% from Rs.2.0 billion to Rs.2.3 billion, F&B revenues have gone up by 18% from Rs.556 million to Rs.655 million, advertising revenues have gone up by 2% from Rs.289 million to Rs.294 million and other operating income by about 11% from Rs.144 million to about Rs.160 million and therefore, aggregate revenues have gone up from Rs 3 billion to Rs.3.4

billion which is an increase of 14%. Corresponding figures for the nine months ended December, our box office revenues up by 33% from Rs.5.3 billion rupees to Rs.7.1 billion, food and beverage revenues up by 36% from Rs.1.5 billion to Rs.2.0 billion, advertising income up by 16% from Rs.617 million to Rs.716 million and other operating income up by 13% from Rs.450 million to about Rs.515 million and hence aggregate revenues have gone up by 31% from Rs.7.99 billion to Rs.10.4 billion.

Content during the quarter has been quite good. The five biggest movies for the quarter were Prem Ratan Dhan Payo, Bajirao Mastani, Dilwale, Tamasha, and Pyaar Ka Punchnama 2, these movies had the following footfalls in our multiplexes of 1.5 million for Prem Ratan, 1.4 million for Bajirao, 1 million for Dilwale, about 0.9 million for Tamasha and 0.8 million for Pyaar Ka Punchnama, GBOC for these films were Rs.298 million, Rs.296 million, Rs.218 million, Rs.163 million and about Rs.124 million respectively, the top five movies for the quarter contributed to roughly about half of our GBOC for the quarter, in fact 48% to be precise.

If you look at some of the quantitative parameters footfalls have gone up by 11% during the quarter, for Q3 FY2015 it was 11.6 million footfalls, which have gone up to about 12.9 million, occupancy has been at about 28%, for the nine months footfalls have gone up by 29%, which is from 32.6 million to 42 million, occupancies have improved from 27% for the nine months ended December 2014 to 31% in the nine months ended December 2015. Average ticket price has gone up by 2% from Rs.175 during the quarter last year to Rs.179 during the quarter this year, and for the nine month period ATPs have gone up from Rs.166 to Rs.171 which is an increase of about 3%. Food and beverage spend per head has gone up during the quarter by 5% from Rs.56 to Rs.59, for the nine months it has also gone up by 5% from Rs.55 to Rs.58, food and beverage contribution remains at about 76% during the quarter, it was about 76% during the quarter last year as well. The aggregate for the year has improved marginally from 74% in the nine months ended December 2014 to 75% in the nine months ended December 2015. Advertising revenues for the nine months ended December 2015 were at about Rs.2 million per screen up by roughly about 1% from Rs.1.9 million per screen in the nine months ended December 2014. Other operating revenues have been virtually what they were last year, for the nine months ended December 2014 they were Rs.1.43 million per screen and have remained at about Rs.1.41 million per screen for the nine months ended December 2015.

Entertainment tax has gone up marginally in this quarter, it is at about 19.2% as compared to 18.9% in the corresponding quarter of the last year, for the nine months ended December entertainment tax was at 19.4% as compared to 18.3% in the nine months ended December 2014. The 1% point increase is the function of two things, one Delhi entertainment tax rates going up and two some properties falling off the exemption period and therefore coming into a tax bracket. Correspondent to the increase in the entertainment tax, payout to distributors have gone down, so for the quarter ended December 2015 on GBOC basis we paid about 35.7% to distributors as compared to 36.5%, so there is a 1% point fall in payout to distributors on GBOC basis. In the quarter, the fall is a little bit higher than the nine month period, so for the nine months ended December 2014 we paid about 36.2% and we have paid about 34.7% in the nine months ended December 2015.

Other overheads have been virtually flat for the quarter, the third quarter of December 2014 other overheads were roughly about Rs.3.7 million per screen, they were at about Rs.3.8 million per screen in this quarter and for the nine months Rs.10.9 million per screen has gone up to roughly about Rs.11.6 million per screen, which is a 6% increase, which broadly tracks inflation.

In terms of new properties opened during the quarter, in this quarter we added about four properties, 20 screens and 4,824 seats and this four properties included R-City Ghatkopar, which we opened on 20th November 2015, this property has nine screens and about 2,109 seats, we also opened on 29th December 2015 Goa Osia with two screens and 335 seats, we opened one property at Meerut at PVS mall on 31st December 2015, which has three screens and 1,012 seats and we opened one property at Thrissur Sobha City 31st December 2015, this has six screens and 1,368 seats. This takes our total property opening during the year to nine properties 41 screens and about 8,827 seats, which takes the total property in the country to 105 properties in 18 states and 57 cities across the country, we operate 413 screens and about 107,576 seats.

We have a pretty strong property pipeline going forward, in fact during this quarter which is from 1st January to 31st March we expect to open six properties, 22 screens and about 4,246 seats, which will take our total property screen and seat count to 111 properties by the end of March, 435 screens and about 111,822 seats.Beyond this, we have a tied up property pipeline backed by signed agreements of about 44 properties, 210 screens and 43,851 seats, which will take the total property count (once this pipeline is completely implemented) to around 155 properties, 645 screens and 155,673 seats.

We have a pretty good content pipeline going forward as well and I would like to caveat this by saying usually this quarter is not the strongest quarter during the year as you might know content release as well as footfalls are typically lower during January to March quarter compared to the rest of the year, but having said that if you look at the content pipeline during these forthcoming three months we have already had this month Wazir and Airlift that did pretty well. We also released Kyaa Kool Hai Hum and Saala Khadoos. During the month of February we expect the releases to be Ghayal Once Again, The Finest Hours, Fitoor and Tere Bin Laden: Dead or Alive and during March expected releases include Jai Gangaajal, London Has Fallen, Kapoor and Sons and Rocky Handsome. There are more releases than these, but we decided just to showcase some of the significant ones.

In terms of shareholding information our market cap currently stands at about Rs.2,088 Crores that is at the current price of about Rs.216 yesterday, number of shares outstanding are 96 million and 52 week high/low share price has been from Rs.145 going up to about Rs.276. We have also in the presentation given you the shareholding pattern as of December 31st 2015 and the list of some of the key institutional investors.

So that, ladies and gentlemen is a brief snapshot of our operating performance. I would like to now open the house for any question that you might have.

Moderator: Thank you Sir. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Niket Shah from Motilal Oswal. Please go ahead.

Niket Shah: Thanks for the opportunity. Sir I just want to know our footfall growth has been actually better than some of your competition, you have seen like 4% footfall growth, is this 4% footfall growth on the comparable properties or on the non-comparable inclusive as well?

Deepak Asher: Well the footfall growth has actually been 11% on a quarter-to-quarter basis, but the 4% growth is on comparable properties.

Niket Shah: So on a YOY comparable will be what and the total consolidated number will be what?

Deepak Asher: So if you only want comparable properties it will be 4% for the quarter, which is 11.6 million going up to 12.1 million footfalls, and for the nine months the growth is 15% again on comparable property basis from 30.3 million going up to 34.8 million footfalls.

Niket Shah: And if you include the fresh openings of newer screens as well, then what will it be?

Deepak Asher: If you include the new screens as well, the 4% for the quarter number will go up to 11% for the quarter, from 11.6 to 12.9 million footfalls and the 15% growth for the nine months will go up to 29% growth for the nine months from 32.6 to 42 million footfalls.

Niket Shah: So if you look at your competitor numbers, you have actually done slightly better than them on the footfall part of it, so it is market share gain or is it regional specific mix, which is benefited or how should one really look at?

Deepak Asher: Well I think it is a function of several things. First of all I would not like to compare with our competitors, I am talking about our results and not with how we compare with anybody else, but I think footfalls have been a mix of both content, pricing decisions and improved marketing efforts.

Niket Shah: On the ATP part in spite of being one of the best content quarters, out of the four quarters we have seen only an increase of 2%, so any specific reason whereas I think most of I would say large amount of multiplex would have taken anywhere around 5% to 6% kind of ATP increase?

Deepak Asher: That is what I meant actually by marketing efforts, we took the conscious decision to moderate the price increase in order to bring in larger footfalls, because as you might know 2% price increase leads to a 11% increase in footfalls, the footfalls also consume F&B and that clearly has higher margins for us, so it was a conscious decision that we took and what matters to us as I mentioned earlier as well is the product of footfalls and ATP and spend per head and not just ATP alone.

Niket Shah: Actually you were just slightly under the impression that this kind of business model largely gets footfalls because of content and rather than pricing in a larger format, so is pricing also very important part, I mean if pricing really comes down do people tend to watch a movie in spite of content being not so great?

Deepak Asher: Well again it is difficult to isolate the impact of any one parameter clearly if content is good there would be more footfalls to multiplexes, but assuming that content is exactly equal then obviously pricing becomes important, so it is difficult to isolate the impact of each of the parameters on footfalls.

Niket Shah: And any specific reasons for, I mean if you want to comment on the growth rates of the advertisement part of the business and what can be the advertisement growth rate for say FY'2017 or FY'2016 going forward?

Deepak Asher: We have done something pretty significant during the quarter, in fact during the fag end of the quarter, we have actually revised our advertising rates significantly, you will therefore not see the impact of that during the December quarter results, in fact you would probably see advertising revenues to be flat on a per screen basis that is because (A)the rates were revised during the end of the quarter and (B) we saw some time for that rate to get traction amongst advertisers and therefore frankly speaking for a short period of time we also saw a dip in advertising minutes, but I think the market has now absorbed the impact of those higher rates and therefore, we would actually be able to see the impact of those rate revisions leading to higher advertising revenues going forward.

Niket Shah: And how much has been the revision in ad rates?

Deepak Asher: No, frankly that is not a number that we would like to talk about specifically, but it has been fairly significant and I think we should therefore see a very healthy increase in advertising revenues going forward.

Niket Shah: Sure. Thanks so much and best of luck Sir.

Moderator: Thank you. Our next question is from the line of Danesh Mistry from TATA Mutual Fund. Please go ahead.

Danesh Mistry: Hi Sir. Good evening. Thank you for taking the time out to talk to us, just taking off from the previous caller the question on the advertising revenues, question number one is that if you were to see your advertising revenues per operating screen is down, so if I want to correlate that with slide number 10, which basically says that you opened about 11 screens in the last few days of December, does that tally?

Deepak Asher: What do you mean by does that tally?

Danesh Mistry: In the sense that is my reading correct that when you look at per operating screen it is the total number of screens at the end of the quarter and not an average?

Deepak Asher: No it is the average number of screens, it is not at the end of the quarter, what we do is we look at the effective number of days the screen was operational for and we compute the average screens operational during the quarter in order to compute the advertising revenues for operating screen.

Danesh Mistry: Just one more question is that, this price increase that we are talking about on the advertising side is that an industry-wide phenomenon that could have happened?

Deepak Asher: I do not think so, I mean we have no basis of knowing what competition charges for advertising and when and how much it revises the rates by, so there is no basis of either confirming or denying that, but we do believe, and we know what we have done.

Danesh Mistry: So how is it been in January Sir?

Deepak Asher: As I said after the initial time that it took for that revised price list to take off and for it to get traction from the market we began to see the demand growing in again during the month of January and hopefully content being equal, we would see significant increase in advertising revenues going forward.

Danesh Mistry: Okay Sir and this pricing revision is it a periodic thing that we do or is it just driven by the inventory utilization that takes place?

Deepak Asher: Well it would be periodic, we did this towards the end of December, we will see how the market absorbs it and after may be three to six months of time we will see whether the market can take anything more.

Danesh Mistry: And just one kind of bookkeeping question right now, what is the total outstanding treasury shares that we have?

Deepak Asher: It is about 43 lakh share, 4.3 million shares.

Danesh Mistry: 4.3 million shares and our net debt today.

Deepak Asher: Okay, gross debt would be about Rs.250 Crores, net of treasury stock will be about Rs.150 Crores.

Danesh Mistry: Okay Sir, all right. Thank you very much Sir and wish you the very best of luck.

Moderator: Thank you. Our next question is from the line of Sonal Gandhi from Anand Rathi Securities. Please go ahead.

Sonal Gandhi: Thanks for the opportunity Sir. First question, I have two bookkeeping questions, first one is on other expenses should we look at it sequentially it has gone down from Rs.77 Crores to Rs.71 Crores, so was that one-off thing in Q2 or how should I read this number?

Deepak Asher: Well two things one is there was a one-off item, so if you look at the delta, the delta is roughly about Rs.6 Crores, in which roughly about Rs.3 Crores was represented by a one-off item in Q2, Rs.3 Crores would represent the cost savings on low consumption of power due to winters during the quarter.

Sonal Gandhi: Sir should we see this I mean going forward the base would be like Rs.71 Crores going forward, is that a normal thing to look at?

Deepak Asher: Except that you will have to factor those facts that number of properties also will go up.

Sonal Gandhi: Sir secondly on the impact of bonus act, so have we taken the entire cost in this quarter, should we see this repeating in next one or two quarters again?

Deepak Asher: No we have taken the entire cost till December 31st in this quarter, so that is actually represented by a provision for the nine months for this financial year and a provision for the last financial year because the amendment was made with retrospective effect, it has taken about 21 months hit in this quarter.

Sonal Gandhi: So how much would it be for nine months, if you could just give us a rough number?

Deepak Asher: It is about Rs.1.5 Crores.

Sonal Gandhi: Rs.1.5 Crores, okay and Sir could you give me breakup of revenues in the box office collections basically Bollywood, Hollywood and regional?

Deepak Asher: Okay I have the broad mix in percentage terms, if that is fine.

Sonal Gandhi: That should be fine.

Alok Tandon: Well if I can take that question. For quarter 3 our Hindi contributed 69% to the GBOC, English contributed 11% and remaining 20% was regional.

Deepak Asher: For the quarter 69% Hindi, 11% English and 20% regional, for the nine months it was 66% Hindi, 14% English and about 19% regional.

Sonal Gandhi: Okay Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Manish Manwani from Bonanza Portfolio Ltd. Please go ahead.

Manish Manwani: Hello, good evening Sir. I just want to know the current consolidated debt as of now and what will be the debt after completing the project pipeline in the future?

Deepak Asher: Well I just mention the current debt, the gross debt is about Rs.250 Crores, after adjusting for treasury shares that we have which is roughly about Rs.100 Crores at current market price, the net debt is about Rs.150 Crores.

Manish Manwani: Okay and what will be the consolidated debt after completing the project cost …..

Deepak Asher: Well you could assume a project cost of roughly about Rs.2.5 Crores per screen, between Rs.2 to Rs.2.5 Crores per screen going forward, so you need to take into account some of the screens that we talked about.

Manish Manwani: Okay Sir. No issue. Thank you very much.

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

Naval Seth: Thanks a lot for the opportunity Sir. Couple of question first on the ad rates as you stated that you have increased the rates at the end of December, but still your ad revenue is just 2%, so the impact of that would have been visible probably at the end of December or start of January, so why still being a festive season or say good content quarter still it was at just 2% growth?

Deepak Asher: As I mentioned we increased the rates toward the end of December and I also mentioned that it took sometime for the increased rates to be absorbed by the market, in fact for a short period of time after the revision of rates there was a fall in advertising volume, which led to the advertising revenues not going up.

Naval Seth: Was this rate hike taken after release of Bajirao Mastani and Dilwale?

Deepak Asher: No it was just before that, it was for that particular week that we had undertaken.

Deepak Asher: But at the same time you must also remember that some advertising contracts and commitments are made before that date and therefore need to be honored so the impact of the rate revision also did not happen immediately on the rate revision occurring.

Naval Seth: And second question on ATP as you said that it was a strategy to restrict your ATP increase to drive footfall, so are we seeing that, because the ATP has been increasing for the industry from last many years now and consumer are started to feel the pinch of higher ATP and that would restrict footfall growth and that is where strategy has been adopted to restrict the ATP increase and same move would be then replicated or followed by the competition to drive footfalls

Deepak Asher: I cannot comment on what the competition will do. For us, as I said it was something that worked for this quarter, we have seen a moderate increase in ticket price leading to a much more than proportionate increase in footfalls, but again you cannot use this as a formula for every quarter, we have to review every week as it comes, look at the quality of content, look at how inelastic demand will be and then tinker with prices and therefore and get an impact on footfalls accordingly.

Naval Seth: So on broad basis for say FY'2017 and going forward you would maintain that 4% kind of ATP increase on annual basis will be achieved and that is the focus for you guys?

Deepak Asher: That is right, I think it would be fair to say you would expect about 3% to 4% increase on ATP on a blended basis and may be about 4% to 5% on a comparable property basis.

Naval Seth: That is helpful Sir. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Sneha Agarwal from ICICI Securities. Please go ahead.

Sneha Agarwal: Hello Sir. My question is with regards to the other operating revenues, Sir basically wanted to get some sense on how the other operating revenues would pan out for the coming fiscal?

Deepak Asher: Well as of now, in terms of other operating revenues we are roughly at about 4 to 5 lakh rupees per screen per quarter and I think it would be reasonable to assume a moderate, may be 5% to 10% increase on a per screen basis in this going forward.

Sneha Agarwal: Okay. Thank you Sir.

Moderator: Thank you. Our next question is from the line of Mr. Rishabh from Enam Holdings. Please go ahead.

Rishabh Chudgar: Hi Sir. This is Nihar Shah here from Enam Holdings. I just had one question on the advertising revenue side. Sir are your advertising revenue rates linked in anyway to footfalls or capacity utilization or is it a general volume base in terms of minutes kind of rates, how do you price advertising?

Deepak Asher: Again it is a mix, some contracts would be on per minute basis and there would be some contracts which would be on an eyeball basis, but again even per minute rates would be a function of what kind of footfalls we get.

Rishabh Chudgar: Sure, any rough breakup that you could possibly give on this?

Deepak Asher: I do not think we have that information right now.

Rishabh Chudgar: Okay that is all from my side, good luck for the quarters ahead.

Moderator: Thank you. Our next question is from the line of Sonal Gandhi from Anand Rathi Securities. Please go ahead.

Sonal Gandhi: Thanks for the follow up Sir. I just wanted to know what is the free cash flow generation for last nine months?

Deepak Asher: For nine months, the operating cash that we generated was roughly about Rs.133 Crores.

Sonal Gandhi: Sir basically if I look at the debt position it is gone from Rs.212 Crores to Rs.250 Crores

Deepak Asher: That was because of the fact that we also implemented nine properties for which the funding is including debt.

Sonal Gandhi: So how should we read that going ahead, will we be able to fund property additions through internal accruals or we are going to have a mix of debt and internal accruals?

Deepak Asher: There is going to be a mix of debt and internal accruals, as I said roughly speaking new screens cost about Rs.2 Crores to Rs.2.5 Crores per screen and you would typically fund 65% as debt and 35% as equity, you could use that to project the debt position, but at the same time even if you invest 35% of that project cost through equity based on the current property pipeline, the cash flows from operations would be higher than that and therefore, there would be free cash flow getting thrown up.

Sonal Gandhi: Okay. Thank you.

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

Amit Kumar: Thank you so much for the opportunity. Continuing from the previous question what was the capex for the first nine months of the year?

Deepak Asher: Roughly about Rs.95 Crores for 41 screens.

Amit Kumar: Some of the screens like R-City Ghatkopar, how does this work because you had a previous operator running that and now that you have acquired that, is there a payment that you make on that, how does the capex on those screens get accounted, is there some buy out of property out there?

Deepak Asher: Okay I will need to get back to you on this because I do not think I have the breakup for property wise capexes.

Amit Kumar: No I am just trying to understand that where you have taken a property, which already another operator was running, does that get counted in capex or as a property buy in the financial?

Deepak Asher: There is acquisition price for taking that over, so obviously there would be capex involved in that acquisition as well.

Amit Kumar: So that is getting captured in this 95 Crores number.

Deepak Asher: That is correct.

Amit Kumar: I am looking at your notes to account, there was some sort of property, for which you have taken an exceptional hit of about Rs.3.5 Crores. I just wanted to get a sense which property was this, whether this was operational or an under construction property?

Deepak Asher: No, this was an operational property, but there were some issue that we discovered later on regulatory approvals as a result of which, we decided to terminate that contract.

Amit Kumar: The 41 screen additions that we have done that is on sort of gross basis, so what is the screen count that you have lost on this particular property?

Deepak Asher: Three screens.

Amit Kumar: My other point was that you own your digital infrastructure, you also earn VPF income from film producers, how do we see over the course of the first nine months, UFO which is the key player in the digital cinema infrastructure market actually increased its VPF rates quite substantially, so could you give me some color on whether you have also increased your VPF rates or any plans of doing that going ahead?

Deepak Asher: No our VPF rates are fixed and we have not increased the same during the nine months.

Amit Kumar: And any plans of doing that going forward?

Deepak Asher: I do not think I can comment on any plans on that going forward.

Amit Kumar: Okay fair enough. Thank you. That is it from my end.

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

Sanjeev Hota: Thanks for the opportunity, just one question if you could give us the outlook on the margins and how it is going to play out in next two year and what are the levers that are going to play out and how the margin is going to shape up going forward?

Deepak Asher: Well it is difficult to talk about how things will pan out going forward over the next two years, a) because it is going to be a function of the content pipeline, I mean if content remains as robust as it has been during this year then we do believe that margins would remain pretty strong. b) The other significant change that could happen over the next two years, if it does, is the coming in of GST and we believe GST would be margin accretive again depending on what the revenue neutral rate under GST is, we currently pay between 19.5% to 20% entertainment tax and if GST is at around 18%, which many people believe currently to be the revenue neutral rate that would mean we have a higher net box office collection and the other impact of GST would be that the service tax that we pay on some of the inputs including property rentals and manpower contracts as currently it is a cost, would cease to be a cost because that will be set off further against the GST that we collect on revenues, so we believe that it would be margin accretive.

Sanjeev Hota: Sir without considering the benefit of GST if content is going to be decent next year, let us say FY'2017, so are there levers available in the other expenses because in the last two quarters there was one of, but can there be some lever available that we can push the margin by 100 to 150 basis point?

Deepak Asher: I think that should be possible because as I mentioned we expect improvements in advertising income going forward and more than 90% of advertising revenues go straight to the bottom line and therefore, our current EBITDA margins which are roughly at about 17% should be able to see an improvement going forward assuming content remains as good as it was this year.

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

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

Dheeresh Pathak: Thank you for the opportunity. First question on advertisement revenue, I know you gave some explanation, but can you just walk us through in terms of why you felt the need in the month of December and you decided to rise?

Deepak Asher: We have a sense of what is happening in the market, we have a sense of what the competition is charging and we have a sense of what we think our advertisers as well as our advertising agencies can take, clearly we saw that there was significant headroom available in improving advertising revenues and therefore we took that decision, as I mentioned after an initial resistance by the market to absorb that revision we have seen during this month, in the month of January advertisers have come back and advertising time has gone back to what it used to be, so we feel that rate increase has been absorbed by the market and it had to happen at some point of time, incidentally it happened during December because as I mentioned there was great content coming in December, two large releases happening together, so we thought that would be the best time to implement that change.

Dheeresh Pathak: And now in your assessment do you feel that for a similar catchment area compared to PVR your ad rates would be similar to them or you would still be at a discount.

Deepak Asher: As I said I would not like to compare or comment on comparisons with PVR or any other competition for that matter, I do believe that we have revised our advertising rates to what we think the market can take at this point of time and depending on how the next three to six months pan out, we might consider another revision at that point of time.

Dheeresh Pathak: On an annual basis, how much VPF fees do you get from Hollywood studio?

Deepak Asher: From Hollywood in particular?

Dheeresh Pathak: Some ballpark numbers would do**?**

Deepak Asher: I do not think I have that number right now, I will need to get back, may be if I can get you back off line if that would be fine.

Dheeresh Pathak: Sure and last question spend per head also is running lower when you are looking at nine months basis versus peers, so you feel that it is lower and there is room for improvement in terms of annual increase compared to peers in a nine month basis.

Deepak Asher: Yes but you know as I said the fallacy in this is that you look at spend per head in isolation I think you need to look a spend per head along with footfall so if I have for example 10% growth in footfalls with a 5% growth in spend per head that means my overall revenue go up by 10% footfalls, 5% spend per head and the number of property increase that has happened.

Dheeresh Pathak: All right. Thanks Sir.

Moderator: Thank you. Our next question is from the line of Aakash Manghani from BOI AXA MF. Please go ahead.

Aakash Manghani: Thanks for taking my question. I just looked at your employee cost growth YOY for this particular quarter was 5% YOY versus a screen count growth of 13%, so if I am reading it right in effective employee cost per screen has fallen by 6% to 7%, could you explain now the divergence?

Deepak Asher: There are corporate employee expenses, which do not multiply with number of screens going up, so that obviously then get shared by larger number of screens, that is operating leverage in the classical sense.

Aakash Manghani: What would have been the normal wage inflation growth on that base of 19 odd Crores you should have added at least I am assuming 8% to 10% sort of wage growth.

Deepak Asher: It would not be unusual to look at the rate to 9% salary increase on a year-to-year basis.

Aakash Manghani: But however that numbers up only by 5% YOY, so….

Deepak Asher: Again to be honest with you I do not have that answer right now, but as I said part of it also could be the fact that corporate expenses and regional man power expenses do not go up with each additional screen going up.

Aakash Manghani: What percentage of the number would be corporate expenses?

Deepak Asher: Again I do not have that number in front of me.

Aakash Manghani: The other question on the ad rate hike you said you have taken an ad rate hike would that be uniform across your four geographies or it would be higher in the west or in the north?

Alok Tandon: When the rate has been increased and it also depends on the property and where it is, so yes it may not be the same percentage across all our properties, but yes it depends on where we are and what hike we have taken in that particular area.

Aakash Manghani: Would you say the maximum percentage hike would have been in the west region for you or.

Alok Tandon: Yes.

Aakash Manghani: And what would be the diversions in the ad rate hike, the ad rate per screen in say Bombay vis-à-vis some screen in the east?

Deepak Asher: Again it is very different in different markets for example east is lower than west, again within a market it is different for catchment, within a catchment it is different for property, so that is frankly too granular to get into.

Aakash Manghani: The other thing is that how should one look at this number going forward on a per screen basis, the ad rate, the ad yield per screen FY'2016 and beyond what sort of growth rate?

Deepak Asher: Well I have mentioned this earlier as well, in the earlier earnings call that we do see that there is a potential to increase this by roughly about 25% on a per screen basis and we believe that we have at least that much headroom if not more and we are making attempts to reach that target.

Aakash Manghani: So from the current number 25% increase.

Deepak Asher: That is the headroom that we believe that we can target.

Aakash Manghani: And one should look at that over a two to three years time frame?

Deepak Asher: Well I hope shorter than that.

Aakash Manghani: On your guidance for screen additions could you just reiterate that for the next two years?

Deepak Asher: Okay the guidance that we indicated were in two modules, one is what we expect during this quarter and what we expect during this quarter is six properties, 22 screens and 4246 seats and the next bucket that I gave was the pipeline, now this was not based on timeline, so I did not say that this could happen in next three months, six months or 12 months or two years, but what I did mention was in terms of properties already tied up in terms of signed agreements, we have tied up 44 properties and about 210 screens and about 43,800 seats. Historically we have been adding roughly about, it would be reasonable to assume about 50 to 60 screens per annum.

Aakash Manghani: Okay. Thank you.

Moderator: Okay. Thank you. Our next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Sir my question is regarding some two days back there was an article in one of the daily saying that a particular movie is going to open into theatre and along with that will be able to be downloaded on, I mean one would be able to download the movie and watch it at the comfort of your home, so is that going to be, do you see a remote possibility of that going to be a reality somewhere in future?

Deepak Asher: I do not think so. First of all our arrangements with the producers and distributors excludes releases on alternative format, so these commercial contractual commitments exclude release on alternate formats at least for about six weeks after the movie is released in multiplexes, so I do not think that is possible and secondly I also believe apart from commercial arrangements or contractual arrangements seeing a movie in a cinema theatre is an out of home entertainment experience, it is something which is more of (in the Indian context) a social experience in addition to an entertainment experience and therefore, people will always want to watch movies in cinema theaters even though alternative formats may be available.

Alok Tandon: Also to add to it 70% to 75% of the revenues of a movie come from the box office collections, so no producers will take that risk of releasing it on an alternate platform and losing out this high percentage of revenue?

Jayesh Gandhi: Okay that is all from my side Sir. Thank you.

Moderator: Thank you. Our next question is from the line of Sameer Pardikar from B&K Securities. Please go ahead.

Sameer Pardikar: Sir thank you for the opportunity, just a book question, we had 102785 seats in the last quarter and this quarter we have added 4824, the roughly addition comes to 107609 and we have reported a little less number on that, so anything that I am missing here Sir.

Deepak Asher: Sorry could you repeat your question.

Sameer Pardikar: Sir we had 102785 seats in the last quarter, we have added 4824, so roughly the total comes to 107609 and we have reported 102785.

Deepak Asher: No we reported currently 107576.

Sameer Pardikar: 576, roughly the addition comes to 609, 107609, so anything I am missing here?

Deepak Asher: So you are asking me the difference between 107609 and 107576?

Sameer Pardikar: Roughly.33

Alok Tandon: We have renovated our Jaipur property and there we have increased the tier width so we have lost 33 seats out there.

Moderator: Thank you. Our next question is from the line of Kashyap Zaveri from Capital 72 Advisors. Please go ahead.

Kashyap Zaveri: Sir I just wanted to reconfirm the number you mentioned that the amount of money that a movie makes apart 75% of that comes from the GBOC, did I hear that correctly? you mentioned about movie making about some percentage overall revenues from box office collection if I heard it correctly let us say movie makes total revenue of about Rs.300 odd Crores what you meant was that about 75% of the total Rs.300 Crores come from box office and 25 would be other source which is like satellite rights or video rights or music or whatever.

Deepak Asher: Yes that is correct, frankly speaking the 75% is not just movie, box office collection, but that is domestic theatrical collection, around 7% comes from overseas theatrical collections, around 12% comes from cable and satellite rights, around 1% comes from home video, around 7% comes from ancillary revenue streams including music rights, etc.

Kashyap Zaveri: And this would be more or ballpark on an average group or good content movie.

Deepak Asher: This is taken from a FICCI entertainment sector report and therefore it reflects the current state of the Indian Cinema Industry across all films.

Kashyap Zaveri: Sure. Thank you so much Sir.

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

Amit Kumar: Thank you so much for the opportunity Sir, just two small points on the ad revenue trend, one is given the seemingly short hike in ad rates has that sort mean that the volume opportunity we are already running if I understand correctly is about 15 minutes kind of volumes, so does that mean that the volume opportunity is pretty much done out there and the second point was that the trend is slightly surprising, especially given the fact that the Sathyam acquisition which happened last year and our sense was that north especially Delhi Market is significantly better in advertising opportunity compared to the regional side especially east and south, so that is why it is a bit of surprise decline in per screen advertising, we are not getting so much of synergy from Sathyam at least as far as ad revenues are concerned is what I am hinting at sir just on these two points.

Deepak Asher: Well two things, one is while you are looking at a fall in advertising revenue on a per screen basis I think that is only momentary that is only for the quarter, if you look at the nine months there is not a fall, admittedly there is no increase, but there surely is not a fall in fact advertising revenues on a per screen basis for the nine months ended December have remained at about, well actually marginally gone up from Rs.1.9 million to Rs.2 million, but we do expect a sharper increase going forward and hence some of the benefits that you will see from the improved advertising realizations will actually manifest themselves over the forthcoming quarters. In terms of advertising time we are currently at about 12 minutes on a per show basis and I do believe that is as much as you can take it, I do not think there will be too much increase in terms of headroom on volumes and therefore large part of the improvement will come from pricing

Amit Kumar: And the synergy from Satyam Sir?

Deepak Asher: This again is usually a very difficult question to answer because the synergy of Satyam is reflected on a consolidated P&L and therefore it may not be appropriate to look at Satyam standalone P&L versus INOX without Satyam standalone P&L.

Moderator: Thank you. Our next question is from the line of Nikhil Gada from CLSA. Please go ahead.

Nikhil Gada: I just wanted to ask regarding the one of items that you have, so when you mentioned that a net value of the asset of one multiplex was around Rs.3.5 Crores, so can you explain what has happened in this particular multiplex?

Deepak Asher: I did mention that after we started operations, we discovered that there were some lacunae in the operating permission and we felt uncomfortable continuing with that property without the regulatory approvals in place and hence we decided to terminate all arrangements in that property and exit.

Nikhil Gada: If I understand you said that that cost for setting up fund screen is around Rs.2.5 Crores, so is it that we reached that stage or it is just that we were in the initial stage and something like that?

Deepak Asher: This was a property that we acquired from Fame and therefore a part of that asset was already depreciated.

Nikhil Gada: Apart from that if I see there is also some 50 lakhs or something which you have given as donations to electoral trust or something so is it something which we do on a yearly basis or it is just like something which you have done recently?

Deepak Asher: This was not done recently; this was done during the last financial year March 2015 because we had election in that year.

Nikhil Gada: That is about it. Thank you.

Moderator: Thank you. Our next question is from the line of Kashyap Zaveri from Capital 72 Advisors. Please go ahead.

Kashyap Zaveri: Sorry to repeat this again, but the numbers that you mentioned about revenue breakup, what would have been sort of historically let us say five or seven years back if you have the number?

Deepak Asher: Well I think it would be broadly around the same range, as far as I can remember box office, domestic, theatrical, exhibition has been between 74% and 76% at least for the last seven or eight years.

Kashyap Zaveri: Okay sure. Thank you so much.

Moderator: Thank you. Our next question is from the line of Aakash Manghani from BOI AXA MF. Please go ahead.

Aakash Manghani: Sir can you share a number for Satyam Cineplex nine months revenue EBITDA?

Deepak Asher: I do not have that in front of me, but I do believe that we have published both standalone and consolidated results, so the delta would reflect the number.

Aakash Manghani: Okay sorry I will take a look at that.

Moderator: Thank you. As there are no further questions in the queue I would like to hand the conference over to Mr. Ankur Periwal for closing comments. Thank you and over to you Sir.

Ankur Periwal: I would like to thank all of you for joining us today, we would like to especially thank the management of Inox Leisure for their precious time, look forward Sir and have a nice day.

Deepak Asher: On behalf of Inox Leisure Limited I would like to thank all participants on this call for your continued interest in tracking the performances of the company and I truly appreciate your support. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital we conclude this conference call. Thank you for joining us. You may now disconnect your lines.