INOX Leisure Limited
Fourth Quarter and Full Year FY-15 Results Conference Call
May 25, 2015

Moderator: Welcome to the Fourth Quarter and Full Year FY-15 Results Conference Call of INOX Leisure Limited organized by Axis Capital Limited. At this moment, all participants are in listen-only mode. Later we will conduct a question and answer session. Please note that this conference is recorded. I would now like to hand the floor over to Mr. Chirag Negandhi from Axis Capital. Thank you and over to you, sir!

Chirag Negandhi: Thank you, Aman. At the outset I would like to thank all of you for dialing into INOX Leisure Limited's Q4 FY-15 and full year earnings call. The call will be initiated with a brief management discussion on the earnings 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 Limited and Mr. Upen Shah, CFO of INOX Leisure Limited. Mr. Asher, please.

Deepak Asher: Thank you very much, Aman and Chirag. Good afternoon to all of you. On behalf of the Board of Directors and the management of INOX Leisure Limited we warmly welcome all of you to this conference call to discuss the audited financial results of the fourth quarter and the full year for the financial year 2014-2015 of the company.

I am joined this afternoon, as Chirag mentioned, by our CEO Mr. Alok Tandon, and our CFO Mr. Upen Shah and my name is Deepak Asher, I am the Director and Group Head, Corporate Finance of the INOX Group of Companies.

Before we get onto the discussion on financial performance let me give you a quick introduction about ourselves. INOX Leisure Limited is a part of the INOX Group of Companies which has diversified business interest and a significant leadership position across various verticals including industrial gases, engineering plastics, refrigerant, chemicals, cryogenic engineering, renewable energy and entertainment.

INOX Leisure is the second largest multiplex operator in the country today. It operates 96 properties with 372 screens and 98,782 seats across 52 cities in the country perhaps one of the most diverse pan-India presence greatly diversifying access to regional content and hence, reducing our dependence on mainstream Hindi and English content.

The company has aggressively scaled up through organic and inorganic expansion over the last decade growing from 2 properties and 8 screens in FY-03 to a whopping 96 properties with 372 screens in FY-15. This amounts to an addition of virtually three screens every month over the last decade. Today INOX Leisure accounts for about 20% of market share amongst multiplex screens in India and garners around 7% shares of aggregate domestic box office collections in the country.

The company has built a strong brand reputation with this economic and premium multiplex properties, state of the art technology and unmatched service and ambience. The company has strong partnerships with over 50 leading Indian and global brands offerings a high growth potential for advertising and other ancillary revenues.

Talking about the company's performance during the fourth quarter and the full year of FY-2015, the overall business environment has been less than encouraging owing to disappointing box office performance of the movie content released during the year under the review. The adverse impact of content quality was to an extent mitigated by new property additions by the company besides improvement in non-box office revenues. However, with new properties going live and with the expectation of a better performing

content pipeline going forward we hope to improve our financial performance by delivering a world class film viewing experience to our patrons and creating and enhancing value to our stakeholders.

I would now like to walk you through some of the key financial and operational highlights regarding the performance of the company during the period under the review. The Board of Directors of the company has approved the audited results for FY-15 and I would now like to present to you some of the key highlights.

For the quarter ended March '15 as compared to the quarter ended March '14 the revenues have increased from Rs. 1.8 billion to Rs. 2.2 billion which is a growth of 16%. EBITDA however fell by about 36% from Rs. 162 million to Rs. 105 million. EBITDA margins for the quarter fell from 8.7% to 4.8%. PAT also registered a negative from Rs. 15 million in Q4 of FY-14 to minus Rs. 40 million in Q4 of FY-15. PAT margins shrank from 0.8% to minus 1.9% for the quarter.

The figures for the full financial year however were slightly better, revenues improved by 17% from Rs. 8.6 billion to Rs. 10.1 billion. EBITDA grew by 1% from Rs. 1.21 billion to Rs. 1.22 billion. EBITDA margins shrank from 14% to 12.1%.

PAT registered a de-growth from Rs. 369 million for the full year FY-14 to about Rs. 200 million for the full year FY-15 essentially because of larger depreciation and interest charge. PAT margins fell from 4.3% to 2% for the full year FY-14 compare to FY-15.

Looking at the key breakup of revenue, as you know, our total operating revenues comprise of four parts- box office collections; food and beverage income; advertising income and other operating revenues. For the quarter, box office revenues grew by 8% from Rs. 1.2 billion to Rs. 1.34 billion, food and beverage revenues improved by 9% from Rs. 342 million to Rs. 374 million, advertising revenues improved by 23% from Rs. 161 million to Rs. 197 million and other operating income improved by 91% from Rs. 134 million to Rs. 257 million. These were the figures for the quarter which is Q4 of FY-15 compared to Q4 of FY-14.

If you look at the annual comparison, total box office revenues grew by Rs. 5.9 billion to Rs. 6.7 billion registering a growth of 13%, F&B income grew from Rs. 1.6 billion to Rs. 1.9 billion registering a growth of 18%. Advertising revenues grew by 65% from Rs. 495 million to Rs. 814 million and other operating income grew by 18% from Rs. 603 million to Rs. 712 million. This in a sense also reflects the change in the composition of our revenues with more stress on advertising and other operating revenues. Gross box office which was 69% in FY-14 now stands at 66% in FY-15 and advertising and other operating revenues which were about 12.7% in FY-14 now stand in access of 15% in FY-15.

Footfalls improved marginally. Footfalls in Q4 FY-14 were 8.2 million. These grew by about 2% to 8.4 million in Q4 of FY-15. Footfalls for the full year grew from Rs. 38.6 million in FY-14 to 41.1 million in FY-15. However, this increase in footfalls to a large extent was because of more properties opened. In terms of occupancy rate, occupancy actually fell in Q4 FY-15 to 20% from 23% in Q4 of FY-14 and for the full year occupancy fell from 28% to 25% reflecting, as I mentioned in my introductory remarks, poor quality content.

Average ticket prices improved by around 3% from Rs. 153 to Rs. 158 for the fourth quarter, for the full year the improvement in average ticket prices was slightly more attractive at 5% from Rs. 156 for FY-14 to Rs. 164 in FY-15.

F&B spend per head has also improved in the quarter by about 8% from Rs. 49 to Rs. 53 and for the full year by about 12% form Rs. 49 to Rs. 55. F&B contributions have improved for the full year from 74% to 77% reflecting what we believe might be the largest F&B margins in the industry.

Advertising revenues per operating screen have improved from Rs. 1.7 million in full year FY-14 to Rs. 2.3 million in full year FY-15 which is a growth of 35%. As this growth is on per

operating screen basis the overall growth has been more aggressive than this considering the fact the number of screens under operation also went up. Other operating revenues for operating screens have been for the full year virtually static at about Rs. 2 million per screen.

In terms of cost, our average entertainment tax remains around the same; it was about 17.8% in FY-14 and is about 18% in FY-15. Currently around 81 properties out of the 91 that we operate are under full tax regime and the balance ten are exempt. Our film distributor share has fallen slightly from 36.4% on GBOC in the full year FY-14 to 35.9% on GBOC in the full year FY-15, which again reflects poor performance of content.

In terms of balance sheet parameters our net worth has increased largely because of the sale of the treasury shares as well as operating income, from Rs. 3.9 billion in FY-14 to Rs. 6.7 billion in FY-15 which also leads to a better debt equity ratio. Debt has remain virtually the same at about Rs. 2.4 billion in FY-14, and 2.4 billion in FY-15, and therefore debt to equity ratio has actually improved from 0.6 to around 0.4. So these were the financial parameters.

In terms some of the physical performance indicators we have in Q4 added four properties, 13 screens and about 3,340 seats during the quarter, this includes City Center at Bhilwara, Jyothi Mall at Kurnool, City Square Mall at Ajmer and Margao at Goa. Additions for the full year FY-15 were of two types, organic - we added nine properties, 27 screens and 6,781 seats and inorganically - we acquired Satyam which came with nine properties, 38 screens and 9,125 seats and therefore in aggregate for the full year, we added 18 properties, 65 screens and 15,906 seats.

As a result currently we operate in 17 states, 52 cities, 96 locations, 372 screens and 98,782 seats. In terms of new screen pipelines, we have tied and expect to open during this financial year, which is FY-16, an aggregate of about 15 properties, 57 screens and 12,118 seats which will take a total population of properties by the end of FY-16 to 111 properties, 429 screens and 110,900 seats. We also have, beyond March 16, a tied-up project pipeline of about 128 screens and 27,333 seats and therefore, based on the property pipeline already tied up, we are racing towards 557 screens and 138,233 seats in the near future.

In terms of content pipeline, considering the fact that FY-15 was probably one of the worst years that we have seen, we can only expect FY-16 to be better and we do believe there are several good quality content lined up. Tanu Weds Manu Returns already is a blockbuster and going forward we expect in June, Dil Dhadakne Do which is a Farhan Akhtar, Ranveer Singh, Priyanka Chopra, Anushka Sharma starrer, in July we expect Bajrangi Bhaijaan, a Salman Khan starrer, in August, we expect Mission Impossible 5 and Phantom which is a Saif Ali Khan, Katrina Kaif starrer. Beyond that we have Singh Is Bling from Akshay Kumar, we have Prem Ratan Dhan Payo from Salman Khan, we have Dilwale from Shah Rukh Khan and Bajirao Mastani. All of these are expected to be released in the next six to eight months. So the content pipeline looks pretty promising and hopefully the worst in terms of performance should be behind us.

In terms of shareholding structure, currently the promoter group owns about 48.7% of the company, about 4.5% is treasury stock owned by the company itself. FIIs own about 20.7%, DIIs own about 7.57% and public and others own about 18.5%. At current market price of about Rs. 154, the market capitalization of the company stands at about Rs. 14.8 billion. Key Institutional Investors include Kuwait Investment Authority, Macquarie, Goldman Sachs, ICICI Prudential, Morgan Stanley, and Government Pension Fund Global.

This was a brief over view of the financial performance. We continue to remain bullish on the long-term trends and despite this aberration for FY-15, if we look at our own performance over a longer horizon which is the last five years, revenues have grown from Rs. 3.7 billion in FY-11 to Rs. 10.1 billion in FY-15 a CAGR of 29%, EBITDA has grown at a CAGR of 41.3%, PAT has grown at a CAGR of about 41.5% and therefore, as I mentioned, we remain bullish on the long-term trend.

So this was a brief introductory remark on the financial and operating performance of the company. I would now like to hand this over to you Chirag to conduct the Q&A session.

Moderator: Thank you very much. We will now begin with a question and answer session. If you have a question please press "*" and "1" on your telephone keypad and wait for your turn to ask the question. If you like to withdraw your request you may do so by pressing "*" and "2". Participants are requested to use handsets while asking a question. We have the first question is from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Regarding the outlook for content in this year, in the first quarter there have been mixed performance of the movies and also this year we do not have movies from two big actors. Still you believe that overall outlook remains stronger than last year?

Deepak Asher: Well I will answer that question in two parts. First of all, last year was so dismal that on an average any year going forward would be better than last year. But having said that as I mentioned to you if you look at the content pipeline we believe that there are at least two Salman movies at least two Shah Rukh movies, there is an Akshay Kumar movie and therefore apart from several other movies like ABCD Part 2 and other English content as well, which I believe should lead to more footfalls into our multiplexes.

Urmil Shah: Sure, thanks, that was helpful. Now if we look on a full year basis the advertisement per screen has seen strong growth. However, in the fourth quarter the growth has been almost flat on a Y-o-Y basis. Would you attribute this as an aberration driven by drop in the footfalls or there are some other concerns?

Deepak Asher: The spurt in advertising revenue actually happened in the third quarter and fourth quarter of last year and therefore we actually signed a fair amount of deals in Q4 of FY-14, and therefore from a Q4 to Q4 basis, you might not see that kind of an increase, , but if you look at the full year there has been even on a per operating screen basis a 35% jump in advertising revenues from 1.7 million in FY-14 to 2.3 million in FY-15. We continue to maintain this as our key focus area for us, we continue to focus on all non-box office related revenues and we expect to see a pretty robust growth rate in the advertising revenues going forward as well.

Urmil Shah: So would you like to guide for any kind of growth in advertisement income over the next two to three years?

Deepak Asher: As a group policy we do not give definitive number based guidance except to indicate that we do expect to pay significant focus on this area and expect to grow fairly strongly going forward.

Moderator: Thank you. We have the next question from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: The 57 screens pipeline for FY-16 is quite a significant number as compared to FY-15 in terms of new screen opening and beyond that you spoke about 128 screens, so as we head into perhaps FY-17 can we look at this run rate even improving further from 55-60 screens opening run rate?

Deepak Asher: Beyond FY-16 we have not kept a timeline, we have only indicated that these are properties that we have tied up. It is difficult for us to predict the timeline for these properties beyond FY-16 because a large part of that is for factors beyond our control and hence, we are unable to indicate to you the timeline for that pipeline except say that these have been tied up.

Atul Mehra: Sure. And in terms of new screen opening of 55-60 per year, do we have any further aspirational numbers to get to in terms of annual screen opening number?

Deepak Asher: We are focusing on opening 55-60 screens this year and I believe that we should be able to maintain that kind of run rate going forward as well.

Atul Mehra: Sure. And my second question, was in terms of like to like footfalls, so as we head into FY-16 do we look at this number improving?

Deepak Asher: If you are talking of footfalls or occupancy of comparable properties we do expect that to improve because clearly what we have seen in FY-15 is the lowest and that was purely driven by content quality, and to the extent that we expect content quality to be better going forward, we would expect occupancies and therefore footfalls on comparable properties also to improve going forward.

Atul Mehra: Sure. With respect to inorganic growth, there could be some more consolidation coming, so where would we be placed.

Deepak Asher: We have always been eager to look at consolidation opportunities. We actually started the acquisition phase in the industry by acquiring way back in 2008 a chain called CCPL and then we acquired Fame in 2010 and then we acquired Satyam in 2014. We continue to remain eager to look at acquisition opportunities and I think we will be at the forefront of any initiative in that direction.

Moderator: Thank you. We have the next question from the line of Rishabh Chudgar from Enam Holdings. Please go ahead.

Rishabh Chudgar: Just one question essentially on the note 7 to the accounts relating to the entertainment tax exemption, if you can just throw some light on what actual matter is your thought process over here?

Deepak Asher: What happens is usually there are entertainment tax exemption policies which are announced and then you build the properties in adherence with those policies. Now one begins operationalizing those properties but because of bureaucratic time taken in granting exemption certifications it usually takes some time between the property getting operational and exemption certification actually arriving in your hand. Now to the extent that we feel confident that this property is eligible for exemption we recognize that exemption based on the satisfaction of the eligibility criteria regardless of the fact that the actual eligibility certifications come a bit later.

Rishabh Chudgar: Okay. So this Rs 457.5 million is cumulative amount across the life of the company is that correct?

Deepak Asher: That is correct.

Rishabh Chudgar: Okay. And this is not relating to any one single state but it is generally relating to multiple states.

Deepak Asher: True, that is correct but just to let you know typically we have always received the eligibility in around 3 to 6 months after the property gets operational and we never had an instance where property accounted by us as being eligible had to be reversed because eventually they were not eligible.

Rishabh Chudgar: How is the CAPEX per screen metric progressing so what is the current average cost that you have in terms of putting up single screen and as you move towards the Tier-2, Tier-3 towns how does that move?

Deepak Asher: On a blended basis the average of Tier-1, Tier-2, Tier-3, about 20% of our properties is in Tier-1, 40% in Tier-2, and the rest in Tier-3. You would expect a blended CAPEX of about Rs 20 million per screen and to that extent if you expect to open about 60 screens this year you would expect to incur a CAPEX of about Rs 1,200 million. This would typically be funded through debt equity of 65 : 35 so, the equity of this would come from internal accruals and the debt obviously would be from banks or institutions.

Rishabh Chudgar: With respect to recent acquisitions taking place in the industry, the average price per screen is looking at significantly higher amount than Rs 20 million, so wanted to understand if it makes sense to acquire property in the metros at such high valuations?

Deepak Asher: Well I am not going to comment on what is in the press or what our peers are reportedly doing but generally speaking green-field properties take about Rs 20 million to set up in terms of cost per screen. Operating properties are usually not valued on a cost per screen but are valued on a multiple of enterprise value to EBITDA basis because there is an established track record of performance as far as those properties are concerned and I think currently there are quite a few transactions that are being discussed which are in the range of about 10 to 12 times EV to EBITDA going forward.

Moderator: Thank you. We have the next question from the line of Deepak Madhaves from Lead Sharacs Associates. Please go ahead.

Deepak Madhaves: With the GST roll out hopefully in 2016, are we going to benefit in terms of tax?

Deepak Asher: That is a slightly difficult question to answer because it needs several assumptions to be made. First of all what is the GST rate likely to be – this needs to be seen. Number two, whether that GST rate will require a restructuring of our existing business model essentially because currently there is no service tax on a significant cost which is pay-out to distributors. One would assume that under the GST regime there would be a GST on the distributor pay-out just as there would be GST on the ticket sales and hence this might require restructuring of our compensation structure to distributors. Further, currently we pay about 1.5% to 2% of our sales as input tax cost, essentially service tax on property rentals and on the food and beverage items that we procure. In the GST regime this would seize to be cost because these input tax costs would be passed through and would offset against the GST that we collect on ticket prices which cannot happen today as what we collect on ticket price today is entertainment tax which cannot be used to set off input taxes.

Moderator: Thank you. Participants are requested to their limit their questions to two per participants. We have the next question from the line of Dhiresh Pathak from Goldman Sachs. Please go ahead.

Dhiresh Pathak: On the entertainment tax exemption, after the average residual period of two years, what will be the blended entertainment tax?

Deepak Asher: Again that is probably an academic question as one would expect that by the time these exemptions run out, the GST regime will become applicable.

Dhiresh Pathak: With respect to the 10-12x EV/EBITDA multiple in case of acquisitions, what is the occupancy ratio that one considers in the valuation approach, given that it has moved from 30% to 25% for the company?

Deepak Asher: Rather than considering a specific occupancy number, we look at the property, the track record, the operating performance over the last two or three years and based on that historical performance we estimate how the occupancy can perform going forward.

Dhiresh Pathak: And on the GST side as you are explaining, at least 1.5% - 2% benefit should come irrespective of what is the GST rate?

Deepak Asher: Yes, but that is probably going to be one of the smaller impacts. There could be larger impact of GST applicable on ticket prices and on distributor payouts which needs to be seen once the rates are finalised.

Dhiresh Pathak: But given the negotiating power in the value chain the negative impact can be passed on to either the patrons or the distributor.

Deepak Asher: This needs to be seen when it happens. Charging more to the patrons depends on our ability to charge more without adversely impacting footfalls, so this is the business decision which needs to be taken at right time.

Dhiresh Pathak: And with the distributors?

Deepak Asher: With the distributors perhaps you can pass it on, again as it is not a cost what we pay to our distributors because we will be able to set it off against the GST that we collect from our revenues. What I meant was that distributors cost would also get lower as they will be able to set off their GST cost against their GST revenues and that might lead to change in the overall structure.

Dhiresh Pathak: But whatever your absolute pay out was to the distributor, would that also change?

Deepak Asher: Well even if you assume that there is additional GST on that, it will not be a cost as we will be able to set if off against the GST we collect from tickets revenues.

Dhiresh Pathak: Okay. But ticket revenue you are saying whatever you could charge to patron you are already charging. So to that extent, you cannot pass on the additional tax under GST.

Deepak Asher: What we are paying to the distributor is not a cost as we can set it off against the GST that we collect on ticket prices. So for example, if we pay to our distributor Rs. 50, post GST implementation this shall increase to Rs 55 for example, then the additional Rs 5 would not be a cost as we will be able to set it off against the GST collected on ticket prices.

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

Amit Kumar: Just a couple of questions on the fourth quarter. Despite the fact that you added almost four properties during the quarter, the overheads and employee expenses have either declined or have remained flat. So are we entering a scenario where we are looking at deflationary environment in terms of cost structure?

Deepak Asher: Well, what we are trying to do is because the box office performance of the content was poor last year, we also tried to control our operating costs without affecting the overall experience.

Amit Kumar: Okay. To what extent has the new steady state in terms of per screen cost been reached or do you believe that there is still some scope for productivity improvements from here?

Deepak Asher: You mean in terms of CAPEX?

Amit Kumar: No, in terms of operating cost on a per screen basis, so on a Q-on-Q basis it has obviously declined because cost has remained flat while you have added four new propertiesdo you believe that operating cost on a per screen basis has reached the steady state level or do you believe that there is some further scope for improvement on that side?

Deepak Asher: No, I would not believe that, there is certainly would be a scope of improvement and we continue our efforts to further optimize on operating cost.

Moderator: Thank you. Ladies and gentlemen if you wish to ask a question please press “*” and “1”. We have the next question from the line of Sunny Agarwal from Aditya Birla. Please go ahead.

Sunny Agarwal: Sir, my question pertains to understanding from industry perspective what will be difference between the key operational parameters like occupancy, ticket price, spent per head and ad revenue per screen between the Tier-1 and Tier-2 cities and same on the cost side. So as we

penetrate more into Tier-2 city whether all these parameters will be lower compared to Tier-1 and hence in actual terms our growth may not be linear with the screen additions?

Deepak Asher: Well yes, obviously the overall financial numbers for the property in Tier-3 will not be equivalent to the overall financial numbers for the property in Tier-1 and subject to the qualification that even within Tier-1 there are properties like Nariman Point and properties in Navi Mumbai and in smaller towns also we have properties which are Bund Garden in Pune and properties which are not in the prime CBD or residential area of that town or city. But having said that, I would also like to mention that we also build properties based on what the market can take and therefore our CAPEX per screen would be a function of the affluence of that market which in a sense is measured by the average ticket price. So just for an example if we expected the ticket price to be Rs. 100 in certain locality, our total cost on that multiplex will be about Rs 100 million for a four screen multiplex. On the other hand if we expected the ticket price to be Rs. 200, we have to spend about Rs 170 million to Rs 20 million on a four to five screen multiplex. So from a return on capital perspective it may not be different because you would actually then spend CAPEX based on the market.

Sunny Agarwal: Okay, understood. And sir just one hypothetical situation. Although the content pipeline looks good next year, if the footfalls hypothetically do not pick-up, then do we see any chance of ATP going into deflationary scenario for next 6 to 12 months?

Deepak Asher: No, I do not think that is likely to happen. However what we are also doing in order to insulate ourselves from the impact of box office performance, is focus more on non-box office revenues. So while ticket prices which are gross box office collections and F&B revenue which to a large extent is a function of the footfalls, there are other revenues like advertising and other operating revenues which are at least in the short-term not a function of footfalls. So we are focusing on these revenues. Just to mention for example, advertising and other operating revenues for the quarter Q4 of FY-15 were 20.9% as compared to 15.6% in Q4 FY-14. What we are trying to do is enhance focus on this for two reasons, one is all advertising and other operating revenues add virtually directly to the bottom line because we do not share this either with the tax authorities or with the distributor, so that flows directly to the bottom-line. Secondly in the short-term, this reduces our vulnerability to content quality.

Moderator: Thank you. We have the next question from the line of Sneha Agarwal from ICICI Direct. Please go ahead.

Sneha Agarwal: Just wanted to carry forward the discussion on other operating income. I just wanted to understand will it follow a similar run rate in the coming quarters like for the other operating income as we could see it about Rs 250 million this quarter and also if you could explain that what is the revenue stream which is contributing to such an increase as compared from last year same quarter?

Deepak Asher: Well, the other operating income consisted of the virtual print fee that we collect on the digital projection system that we have installed, the rental and conducting fees that we have on the properties we own ourselves, the online ticket services charges we collect from the online service providers, and yes they have gone up from Rs 135 million in Q4 FY-14 to about Rs 250 million in Q4 FY-15. We do expect to be able to maintain a significant momentum of growth in this going forward as well.

Moderator: Thank you. Participants if you would like to ask a question please press "*" and "1". We have the next question from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: One question again on the ad income so I was just looking at the numbers, ad revenue in Q3 FY-14 was about Rs 5.3 million and Q4 was also around similar levels. But if you look at it from a Q-on-Q perspective, Q3 FY-15 had about Rs 8.5 million which again came down on a Q-on-Q basis in Q4 FY-15. So does this have any kind of seasonality element associated with in terms of lower footfalls or anything else that we should read?

Deepak Asher: No, it is not footfall driven, sometimes we sign some large deals in a particular quarter and sometimes those large deals are signed in different quarter, so that would result in lumpiness of advertising revenues based on what kind of deals and when are they signed.

Atul Mehra: Right. So in terms of this trajectory perhaps going forward where could we look at it? Can it be more steady on quarter basis?

Deepak Asher: All I am saying is that if you look at the larger picture our advertising revenue was about Rs 495 million in FY-14 that has gone up to about Rs 815 million which is a growth of about 65% in FY-15 as I said this the key focus area for us and we expect to be able to maintain a pretty significant growth rate on this revenue item going forward as well.

Atul Mehra: All right. So we should not be reading into anything in terms of Q-on-Q decline that has happened?

Deepak Asher: No. And by the way there is no decline, Rs 160 million ad revenue in Q4 FY-14 has grown to Rs 197 million in Q4 of FY-15, a growth of 23% in absolute terms.

Atul Mehra: I was talking about the Q-on-Q basis so Q3 versus Q4 again.

Deepak Asher: Yes, okay, fair.

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

Amit Kumar: Just a small point in Satyam, now if you look at your consolidated minus standalone financials which I presume is largely Satyam, in just about seven or eight months Satyam has been with us we have revenues of about Rs 630 million but profitability of only about Rs 20 million coming from Satyam. So essentially margins seem to be significantly below the level that INOX at a standalone level generates. I remember, last quarter or the quarter before when the transaction happened, company talked about once the integration happens there will be synergies coming at the overall company level. So first of all when do we expect Satyam to get integrated and how much time will it take for Satyam to come at least INOX average 12% to 13% kind of operating margins that we have seen?

Deepak Asher: See unfortunately the process of integration and bringing the Satyam operating parameters up to INOX expectation levels was hampered by the content flow that also occurred in the last year. So again it is difficult to put a time line in terms of how soon we expect that situation to be improved. But I do believe that Satyam properties are outstanding and we do expect going forward for them to very rapidly scale up to our standard of performance.

Amit Kumar: Sir in this year in the consolidated financials have you taken any extraordinary items post the acquisition of Satyam, or have you aligned the accounting policies?

Deepak Asher: No, not as a result of the acquisition, no.

Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the floor over the management for closing comments. Thank you and over to you, sir!

Deepak Asher: Okay. On behalf of INOX Leisure and my colleagues Alok as well as Upen, I would like to thank everyone who took the time to attend this call and ask questions. I would like to thank you for your interest in the company and look forward to your continued interest and support going forward as well. Thank you very much.

Chirag Negandhi: Thank you, Mr. Asher. Thank you so much.

Moderator: Thank you very much. With that we conclude this conference. Thank you for joining us and you may now disconnect your lines.