9th May, 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 27th April 2016. 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 Q4 and FY2016
Results Conference Call”
April 27, 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 Inox Leisure Q4 and FY2016 results conference call, hosted by Axis Capital Limited. The duration of the call will be 60 minutes. 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 over the conference over to Mr. Ankur Periwal from Axis Capital. Thank you and over to you, Sir!

Ankur Periwal: Thank you Aman. At the outset, we would like to thank all of you for dialing into Inox Leisure post results earnings call for the quarter and the year-ended March 2016. The call will be initiated with a brief management discussion on the quarterly and annual 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. Mr. Asher, please.

Deepak Asher: Thank you very much Aman and thank you very much Ankur. A very warm welcome to all of you. On behalf of the board of directors and the management of Inox Leisure Limited, I am glad to inform you that the board of directors of Inox Leisure have just concluded their meeting, and have approved the audited financial results of the company for the year-ended March 2016 and through this conference call, we would like to discuss the financial results of the company for the last quarter as well as the full year FY 2016.

Inox Leisure Management is represented on this call by Mr. Alok Tandon, the CEO of the Company, Mr. Upen Shah, the CFO of the Company and myself, Mr. Deepak Asher, I am the Director and Group Head, Corporate Finance of the Inox Group of Companies.

To start with I would just like to highlight three or four of the key milestones that we have witnessed during the current financial year. We have seen a significant improvement in all financial parameters backed by a very good content. For example, revenues have gone up by about 32% YOY, EBITDA percentage has gone up from 12% to 14%, PAT percentage has gone up from 2% to 6%, ROCE improved from 6% to 12% and ROE has improved from 4% to 12%. So the key milestone this year has been a significant improvement in all financial parameters.

The other thing that has happened during the last financial year is that our acquisition of Satyam followed by a merger has been approved by the Delhi High Court and therefore the complete merger process has now been completed and the results therefore we see are the combined results of Inox Leisure and Satyam together.

The third milestone that we witnessed during the current year is that we have surpassed an aggregate of 100 properties, 400 screens and 100,000 seats during the last year. We are now with the growth in terms of the properties present in 19 states with 107 properties, 420 screens and about 1,08,931 seats and lastly as some of you might have seen in the press release that we issued we have signed what might be the biggest IMAX theatre deal in India about a month ago. So these have been some of the key milestones.

Taking you through the financial performance and we will do a YOY analysis, meaning we will compare Q4 of FY2016 with the corresponding Q4 FY2015 and then we will compare the financial year YOY analysis which is the full financial year FY2016 compared with the full financial year 2015.

Revenues have gone up from Rs.2.17 billion in Q4 FY2015 to Rs.2.86 billion in Q4 FY2016 that is a growth of 32%. EBITDA has gone up from Rs.105 million in Q4 FY2015 to Rs.150 million in Q4 FY2016. That is a growth of 43%. EBITDA percentage has improved from 4.8% to 5.2%. PAT has improved from a negative of Rs.40 million in Q4 FY2015 to a positive of Rs.161 million in Q4 FY2016. PAT percentage has improved from –1.9% to +5.6%. That is for the quarter.

For the full year, revenues have gone up by 31% from Rs.10.16 billion to Rs.13.32 billion. EBITDA has improved from Rs.1.22 billion to Rs.1.89 billion that is a growth of 55%. EBITDA margin has improved from 12.1% to 14.3% and PAT has improved from Rs.200 million in FY2015 to Rs.774 million in FY 2016 that is a growth of 287%. PAT margins have improved from 2% to 5.8% for the year as a whole.

Now looking at the revenue breakup. As you know our revenues comprise of basically four key components, Gross Box Office, Food & Beverage, Advertising, and other Operating Revenues. Gross Box Office for the quarter has improved from Rs.1.3 billion to Rs.1.9 billion that is a growth of 42%. Food & Beverage has improved from Rs.374 million to Rs.569 million. That is a growth of 52%. Advertising revenues have remained flat Rs.197 million in Q4 of FY2015, Rs.194 million in Q4 FY2016. Other operating income has actually gone down from Rs.257 million to Rs.195 million but that is because of a one off item in Q4FY2015 that did not get repeated in Q4 FY2016. Aggregate revenues as I mentioned have gone up from Rs.2.17 billion to Rs.2.86 billion that is a growth of 32%. Now these were the quarterly numbers.

For the full year, Box Office revenues have gone up from Rs.6.73 billion to Rs.9.04 billion. That is a growth of 34%. F&B revenues have gone up from Rs.1.9 billion to Rs.2.6 billion that is a growth of 39%. Advertising revenues have improved by 12% from Rs.814 million to Rs.910 million. Other operating income has remained virtually flat as a result of which the aggregate revenues from Rs.10.16 billion for the full year FY2015 has gone up to Rs.13.32 billion for the full year FY2016 a growth of 31%.

In terms of content, the top five films for the Q4 FY2016 have been Airlift, which saw footfalls of 1.49 million and a GBOC of Rs.278 million. Neerja, which saw a footfall of 1.05 million and GBOC of Rs.173 million. Kapoor & Sons did 0.85 million footfall and Box Office of Rs.157 million. Bajirao Mastani though it was released earlier, we had a lag effect in this quarter. So we saw footfalls of 0.56 million and GBOC of Rs.98 million and Wazir saw a footfall of 0.51 and GBOC of Rs.92 million. The aggregate contribution of these five top films of the quarter was footfalls of 4.47 million and GBOC of Rs.797 million which actually accounted for roughly about 42% of our GBOC for the quarter.

Coming to the operating parameters, Box Office revenue as you know is driven by footfalls and ATPs - Average Ticket Price. Footfalls for the quarter improved from 8.4 million to 11.5 million. That is a 36% growth. Occupancy has improved from 20% to 23% for the quarter. For the full year the footfalls improved from 41.1 million to 53.4 million, that is a jump of 30%, and occupancies improved from 25% to 29%. This is for all properties put together. If you just look at comparable properties, footfalls improved for the quarter from 8.3 million to 10.4 million. That is 25% growth on comparable properties. Occupancies on comparable properties improved from 20% to 24% and again these are numbers for the quarter.

For the full year on comparable property basis footfalls increased from 37.5 million to 43.7 million that is a growth of 17% and occupancies improved from 26% to 30% for the full year. Average Ticket Prices for the quarter for all properties improved from Rs.158 to Rs.167, that is a growth of 6%. For the full year ATP improved from Rs.164 to Rs.170, that is a growth of 4%. For comparable properties the ATP for the quarter improved from Rs.159 to Rs.167 that is a growth of 5% and for the full year on comparable properties ATP has improved from Rs.163 to Rs.169, that is a growth of 4%.

The second key item of revenue is F&B revenues and there as you know what we monitor is the F&B spend per head and the F&B contribution. On a quarterly basis, F&B spend per head improved by 9% from Rs.53 to Rs.58 and for the full year the increase was by 5% from Rs.55 to Rs.58. F&B contribution improved from 72% in Q4 FY2015 to 75% in Q4 FY2016 and for the full year 74% contribution improved to 75%. As a result of the combined impact of the improved prices as well as improved contribution ratios, the absolute contribution from F&B improved from Rs.38 to Rs.43 in Q4 FY2015 compared to Q4 FY2016. That is a growth of 14% and for the full year the growth was about 8% from Rs.40.7 to Rs.43.5, which was absolute contribution per head on Food & Beverage.

On advertising revenues on an operating screen basis, there was a fall from 0.57 million to Rs.0.49 million for the quarter and for the full year it was virtually flat at Rs.2.51 million to Rs.2.46 million. Other operating revenues again saw a fall on a per screen basis essentially because as I mentioned there was a one-off item in Q4 FY2015 but from a statistical purpose it fell from 0.74 million to 0.50 million per screen for the quarter and for the full year there was a slight drop of about 12% from Rs.2.19 million for FY2015 to about Rs.1.92 million per screen for FY2016.

On the cost side, entertainment tax rates have gone up marginally. In Q4 FY2015 we were paying a 16.9% entertainment tax. This has gone up to about 18.6% in Q4 FY2016. For the full year the entertainment tax rate in FY2015 was 18%, which has gone up to, 19.2% in FY2016 and this is largely because of six properties for which the exemption expired during the year. We currently have about 11 out of total of 100 properties, which are under exemption, and the average residual exemption period for these properties is about two years. The other reasons why entertainment tax rates went up was Delhi, where we have four properties and 13 screens, witnessed an increase in entertainment tax rate from 20% to 40% during the year.

The Film Distributor share, which is the proportion of Box Office revenue that we pay to distributors to get the content, went up from 41.6% on NBOC basis to 43% during the quarter and for the full year it actually went down slightly from 43.8% to 43.1% on NBOC basis. On GBOC the numbers for the quarter were 34.6% going up marginally to 34.9% and for the full year 35.9% went down to about 34.8%.

As far as the rest of the other overheads are concerned, there has been a marginal increase primarily because of inflation. For the quarter the other overheads were about Rs.3.6 million per screen, which went up to about Rs.3.9 million per screen, which was an 8% increase. For the full year Rs.14.6 million went up to Rs.15.6 million per screen. That is a growth of roughly about 7%, which is as I said was largely inflation related.

On the balance sheet side, shareholder's funds went down from Rs.6.7 billion to Rs.5.9 billion, but that is largely because of the adjustment of the goodwill created on the acquisition of Satyam. Total debt remains nearly the same Rs.2.4 billion in FY2015 to Rs.2.6 billion in FY2016. Our fixed assets went up from Rs.6.6 billion to about Rs.7 billion. There was an addition of fixed assets to the extent of about Rs.115 Crores, but this was to an extent offset by the depreciation that we charge on the fixed assets and our net current assets remained at roughly about minus Rs.670 million in FY2015 to minus Rs.400 million in FY2016.

We still remain extremely under leveraged. Our net debt to equity is about 0.4, our return on capital employed for this year has been 12.4%, and return on equity has been about 12.2%. In addition to the fact that we are extremely lower leveraged we also have about 43.5 lakhs shares in treasury stock. The current market value of which is roughly about Rs.931 million at today's market price and our promoter stake in the company is about 48.7%. The net impact of all these three factors, low leverage, treasury shares, which is quasi cash on the balance sheet and high promoter stake is that we have the potential to raise capital to pursue any growth opportunities, organic as well as inorganic, that we might present ourselves with in the future, without any stress on the balance sheet.

In terms of the new properties that we have opened during the year, in this year we actually opened 12 properties, 51 screens and about 10834 seats for the full year. During the quarter, we opened three properties, 10 screens and about 2007 seats. These were essentially at Surat, DR World, which opened on February 7th, Jorhat ABS mall- a management property, which we opened on February 13th and at Goa Porvorim which we opened on 2nd March 2016. As the result of this we are now, as I mentioned earlier, present in 19 states, 57 cities and 107 properties with 420 screens and about 108931 seats. This makes us amongst the largest multiplex chains in the country and with amongst the widest national footprint.

In terms of pipeline on the new screens we expect to add around 20 properties, 89 screens and about 18550 seats during this financial year, which is FY2017, which should take our total property count once this growth plan is implemented by the end of FY2017 to be 127 properties, 509 screens and about 127000 seats. We also have further properties tied up in terms of signed agreements to the extent of about 34 properties, 179 screens and about 34900 seats and once this entire property line up has been implemented this should take us to a total size of about 161 properties operational with about 688 screen and about 162000 seats.

The content pipeline for this quarter looks quite encouraging. We already had during the first fortnight of this month releases in the form of The Jungle Book, which by the way has been the highest Box Office Collector this year already with NBOC of about 140 Crores. The Jungle Book got released on April 8th, Fan got released on April 15th and it has done an NBOC of about 80 Crores and then further releases expected this month are The Huntsman, Baaghi in April. In May we expect to see Captain America: Civil War, Azhar, Sarbjit and X-Men. In June the releases expected are Housefull-3, which is expected to do quite well, The Conjuring 2, Udta Punjab and Independence Day Resurgence. So it seems to be a pretty encouraging content pipeline.

Our shareholding structure remains largely what it was. The promoter group holds about 48.7%. FIIs own about 23.36%. DIIs own about 7.94%. The treasury stock owned by ourselves as the company at 4.51% and public and others constitute about 15.49%. In the presentation we have also given you a breakup of the key institutional investors as of March, so I would not bother you with those details. So that is the snapshot of our performance. I would now like to open it for any questions that you might have we will try to respond to them as well as we can.

Moderator: Thank you very much. Ladies and gentlemen we will wait for a moment while the question queue assembles. Our first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks for the opportunity. Congrats on strong Box Office Collection. My first question is in terms of screens if I see you had said in Q3 concall that 20 screens will be added, and you have added only 10, so in that context 89 guidance, for FY2017 what is the comfort level?

Deepak Asher: Before that let me just clarify. Yes, you are right that we had mentioned and the guidance that we had given in the last concall was that we will open six properties and 22 screens not even 20. It was 22 screens with 4200 seats, and we have ended up doing about half of those. The problem has not been implementation. Frankly the other three properties, which we could not open in March, are all ready, fitted out and ready to commence operations. The problem has been permission, clearances, the fire NOCs and the operating licenses. Now to some extent this is not within our control. To some extent it is also not within the developers control, so there are regulatory delays in opening this. In the large part of the property pipeline also we do believe that we are in a position to open quite a few. Fit-outs have happened in several of them. Fit-outs are happening pretty aggressively in many of them. So from an operational perspective we should be ready to operationalise those properties; however, as I say regulatory clearances are in a sense force majeure and that is the nature of the business, one of the hazards of this business in terms of property pipeline, so if there are delays in clearances then some of this could be delayed beyond what we are anticipating.

Abneesh Roy: Sir one follow up on the expansion. When I see your FY2017 expansion plan, two properties are large ones with 8 to 9 screens, but rest of them are in the below 5 kind of largely, so is it not better to have much larger screens because that is the feedback we are getting from other players that having 8 or higher screens gives you more flexibility to play in terms of occupancy and better mix etc., so you have more freedom. So, why are you not doing that, higher screens being more percentage of expansion?

Deepak Asher: Well to some extent it is a question of what kind of real estate development is happening and in what markets that development is happening , so yes, given a choice, ceterus paribus, everything else being equal, we would prefer a development which has more screens and perhaps arguably fewer seats per screen then the average of say 250 but as I said while that is the ambition and that is the goal and that is what we would be looking for to a large extent the expansion plans are also dictated by what kind of malls are being developed and what the layout of that mall is. Some of the properties were tied up one or two years ago and hence we do not have the flexibility of changing that right now.

Abneesh Roy: Sir my second question is on the ad revenue front. You were growing quite fast, but last two quarters, I am seeing ad revenue has slowed down, so in Q4 what happened? Was it because it is weak quarter, the advertisers did not come or it was a very cricket heavy calendar that is why it went away or it was a specific segment for example online retailers did they cut? What happened really?

Deepak Asher: I think it is a function of two things. One is, yes generally speaking Q4 is not the strongest of the quarters and that is why you would not see the strongest of performance in Q4 also not just from content and Box Office collections, but also therefore the domino effect on advertising revenues as well. Secondly, I think it is more internal to us as you might recall and we had mentioned this in our last concall we had in an attempt to increase advertising revenues, increased the advertising rates, and we were expecting after an initial kind of traction, the resistance that the advertisers would place we were expecting those rates to be absorbed by the market. Now to be honest with you that absorption has taken longer than what we were expecting and therefore for some period of time particularly the last quarter we have actually seen despite the improvement in rates advertising minutes shrink because of the resistance that this has been facing, but again I think this is temporary and we are going to hold it out and we do believe that while it may take longer than what we were anticipating in the long run it will be value accretive and therefore we would consider this to be more of an aberration than a long-term trend.

Abneesh Roy: Sir, just to probe that further what was ad inventory YOY, so it was 12 minutes in Q3, so what was in Q4 and YOY how was it?

Deepak Asher: Unfortunately we are not sharing those numbers because this again is a question that some of the investors and analysts have asked in terms of what was the advertising rate, effective rate last quarter and what was the increase like and what was the advertising inventory. That is kind of confidential and sensitive. So, we have decided not to share that. You already have our advertising revenues on a per screen basis and also on an aggregate basis, which unfortunately is all we can share at this stage.

Abneesh Roy: When do you expect recovery because in Q3 you had said Q4 it will be recover and now you are saying?

Deepak Asher: We were expecting and we said that advertising revenues will improve going forward. We had not mentioned a specific quarter by which we were expecting, it is difficult to foresee that and as I said it has actually taken us longer for it to fructify than what we were expecting, but we do expect to hold on and we do expect that eventually advertisers will fall in line.

Abneesh Roy: I will come back in the queue. Thank you.

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. A follow up on ad revenues given the fact that this quarter was really very strong in terms of the Box Office Collection and despite of that we have seen 2% decline so it indicates there is a huge amount of slippage in terms of inventory. So it would be better if you can share some details as to how next year would look at because it is very difficult to project numbers now given the kind of slippages what we have seen in the last two quarters?

Deepak Asher: First of all let me correct, perhaps a slight misperception implicitly to your question. There is a slippage in 2% on a per screen basis. So, if you look at the absolute numbers, the absolute number has actually gone up because the number of screens has gone up. Therefore in that sense it is not related to Box Office revenues. Secondly, while you said that this quarter has been exceedingly good in terms of Box Office revenue I think it is largely because of the fact that we had a very low base, Q4 of FY2015 was quite bad and hence it was a low base effect that show this numbers should be exceedingly good.

Naval Seth: So that is, last time your Box Office was weak so ad revenues would have been not that very great. So, if Box Office improves substantially so ad would have followed?

Deepak Asher: Yes, but there is a lag effect. It is not as if Box Office revenues improve in this week and you say advertising revenue is improving exactly in that week. So there is a lag effect and advertising revenues tend to track Box Office revenues over the long-term but not on a week-to-week basis. In terms of when do we expect to see advertising revenues to improve if that was your eventual question then obviously my answer to that would be pretty soon. I cannot put a finger on a date, but the intention of improving our advertising rates was to make sure that the advertising revenues improve not only on absolute basis, but also on a per screen basis and we expect that to happen this year. Now whether it will happen in this quarter or next quarter or whether it will take longer is something that to be honest with you, I cannot answer. We expect it to happen sooner than what is happening, but I think we will just have to wait it out.

Naval Seth: Any specific reason for 29% increase in other operating expenses to 80-odd Crores for this quarter?

Deepak Asher: I think first of all it is largely to do with the more number of screens opened. As I mentioned on a per screen basis, all the operating expenses put together have gone up by about 7%. So that is more inflation related.

Naval Seth: Thanks a lot Sir.

Moderator: Thank you. Our next question is from the line of Rohit Dokania from IDFC. Please go ahead.

Rohit Dokania: Good evening Sir. Thank you for the opportunity. Just one question; just wanted to understand why our distributor share is higher than of let us say PVR on a NBOC basis?

Deepak Asher: Frankly I do not think I can comment on the distributor share that PVR is paying. We usually do not compare performance with competition on a public call.

Rohit Dokania: Thanks a lot. That was the only question.

Moderator: Thank you. The 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. I was just sort of trying to understand this ad revenue piece better. If I remember the third quarter call, you sort of indicated that January we had started to see demand sort of grow again. Did we see specifically a fall in February and March again and what could be the drivers of that?

Deepak Asher: Well, as I said Box Office and general content pipeline in February and March are not very strong. So what we saw in January we thought was the beginning of advertisers picking up the new rates, which did not continue over February and March.

Amit Kumar: Even on a YOY basis, I mean, 50 screen additions and some fairly high profile properties, the R-City Ghatkopar, which the management has also highlighted in the previous call, and fairly premium property you plan to launch your IMAX screen there as well. So they are not sort of contributing incrementally in terms of ad revenues?

Deepak Asher: That is not correct. First of all let us put this in perspective, what we are saying is ad revenues per operating screen on a YOY basis have been Rs.2.51 million versus Rs.2.46 million in FY2016. So they are fine. They have not grown. Admittedly they have not grown on a per screen basis. They are flat, but they have not fallen. On an absolute basis because you have talked about the screens being added, ad revenues over the last five years were Rs.29 Crores in FY2012 up to Rs.32 Crores in FY2013, Rs.49 Crores in FY2014, Rs.81 Crores in FY2015 and 91 Crores in FY2016, but the rest have been even on a YOY basis in absolute terms, for growth of 81 Crores going up to 91 Crores, which is more than a 12% to 13% growth. CAGR over the last five years has been 33%, 29 Crores going up to 91 Crores. So there has been growth and let us not discount that. Yes over the last quarter, while we increased advertising rates in order to improve the aggregate revenues, that has not seen traction, but I do not believe that it is a long-term negative. I believe any kind of price increase of the kind that we have implemented will take some time for the market to absorb. Again you must also appreciate that there are some long-term contracts. So it is not as if it is not a flick of a switch that I change my rates today and all the revenues from tomorrow happen on the new rates, some of the old contracts which are at the old rates will continue for the life of those contracts. So this will take time. Whether it will happen in three months or six months I cannot say, but we are hopeful and we are optimistic of seeing improvement in advertising revenues even on a per screen basis in FY2017.

Amit Kumar: Sir, I appreciate the points that you have made. My only contention into that was that when we are looking at on a YOY basis, 4Q to 4Q we have added almost 51 screens on a base of 370-odd so just about a 13% to 14% growth in screens and fairly large amount of inventory coming in terms of new screens as well. So when we look at it on a YOY basis, specific to the quarter not looking at the entire year, we see the advertising revenue on a per screen basis actually falling quite substantially more than double-digit.

Deepak Asher: It has fallen.

Amit Kumar: This is second quarter in succession so we are not really seeing an improving trend 3Q to 4Q as well?

Deepak Asher: Well you are right. On Q4 FY2015 to Q4 FY2016 basis advertising revenues on a per screen basis has gone down by about 13% from Rs.0.57 million to Rs.0.49 million and I thought I had mentioned the reason behind that was that while we improve the advertising rates the market did not accept it completely and therefore there was a fall in inventory on advertising minutes, which I believe should correct itself going forward. The aggregate revenues on a per screen basis would have fallen because the fall in the minutes was larger than the increase in rates, but as I said we expect that to be short-term rather than long-term.

Amit Kumar: Just to sort of follow up on that. In the previous discussions with the company there are couple of points which has been highlighted is in terms of the increase in ad sales effort, most of the sales people driving wider sales effort with companies as well as the company trying to improve government advertising as well. So could you give us some sort of trends on that side?

Deepak Asher: Sure, what I will request Alok, our CEO to kind of amplify on that.

Alok Tandon: You are right. We have taken a lot of steps to increase the advertising revenue. As I said last time on the call that we have a dedicated head of sales department now, which about 14 months back we did not have. We have more feet on street where people go to various offices and various companies for ad sales. We also sit with various media planners and who in turn sit with the company heads of sales so that we can device programs together and have different ways of advertising on screen as well as off screen. You talked about government ads, yes we are talking to DAVP and also various State governments so that we can advertise their different ads for the promotions of the State on our screens. So various steps are being taken to increase our ad sales.

Amit Kumar: All right. I will come back in the queue. Thank you.

Moderator: Thank you. It is a follow up question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, your other operating revenues were down both this quarter and for the full year. You explained for the quarter but full year also it is down. So what is happening here?

Deepak Asher: The same impact for the full year. For example, we had an entertainment tax refund of about Rs.6.2 Crores in the last quarter FY2015 but that obviously also was there which were in FY2015 numbers and the impact of that itself on an annual basis was roughly about Rs.0.17 million. So that would explain the fall even on a year-to-year basis. The other thing which happens is in other operating income is some of our contracts are on a fixed lump sum basis. So there is for example, one particular service provider that pays me Rs.X Crores for a certain service. Now what happens is since this is a fixed amount as number of screens go up on a per screen basis that actually tends to show negative because the denominator goes up, the numerator remains the same. So we have analyzed that and roughly about Rs.0.05 million is because of fixed revenue contracts being shared by more screens than earlier. Now obviously over time this will get renegotiated to factor in the increased number of screens, therefore to some extent you will see a dip because of that.

Abneesh Roy: Sir what comes in this, what are the different segments in this?

Deepak Asher: There is VPF income that we have on our digital projection system. There are management fees on the management contracts. There is conducting fees for some of the property that we own and we have let out. There is Internet booking charges both on our platform as well as the outsourced platform, which is BookMyShow. So these are some of the key revenue components of this line.

Abneesh Roy: Out of these which one you did not get benefit with increase in screens?

Deepak Asher: I cannot mention that unfortunately.

Abneesh Roy: Sir e-Tax surprisingly in Q4 is lower than full year; I could not understand that part. Normally it should go up right?

Deepak Asher: Just one second, let me just try and kind of pull that out. E-Tax in the quarter is 18.6% and for the full year is 19.2%.

Abneesh Roy: So, why it should be lower. Normally the trend is it is going up right?

Deepak Asher: Frankly I cannot answer that. We will need to get into details. It is a good question we need to find out.

Abneesh Roy: Sir Food & Beverage how much is the potential. It is going reasonably well, but what is the potential you are seeing for it for FY2017. What are the new initiatives if you could discuss that part?

Deepak Asher: We are implementing several measures again in an attempt to improve the spend per head on Food & Beverage. It has seen on for the quarter a 9% growth and on a year-on-year basis a 5% growth. On the cost side again we are trying to control costs to the hit. F&B margins are 75%, which I believe are the most highest in the industry and we do expect to maintain the momentum of growth on the F&B spend for us at least by about 5% going forward as well.

Abneesh Roy: Sir, next question is online ordering. If we see our competitors has tied up with a very large player like PayTM and they have given very, very aggressive targets, so what is your plans in terms of new tie ups. So you are there with BookMyShow. So what is the percentage currently and what are the future tie ups you are looking at?

Deepak Asher: We are talking to several agencies, because those are under discussion I cannot share with you the exact names or what specifically is the state of discussions over there, but we are looking at all possibilities to improve that as well. On a very broad basis, I can mention our share of Internet booking is going up. It was 20% in FY2015, which has gone up to roughly about 27% in FY2016 and with the other tie ups that we have in line I think this should see a further improvement going forward.

Abneesh Roy: Sir ad revenue question has been discussed in this concall by many people, but just one observation here if you see one print player also did exactly the same thing. They hiked the prices too much and then three to four quarters the pain was there. In your case if you see now two quarters the pain has happened and you are saying it will be a short-term pain. So one is, could this have been done better? Were you expecting this kind of a negative reaction? Second is two quarters have happened. You are still saying it short-term but when you see the print players suffered for almost four quarters so in that context why do not you do course correction now?

Deepak Asher: First of all let me correct what you are saying. The pain has not been in two quarters. The pain has been in one quarter. The increased advertising rates are around the middle of December. We did it around the December 20th so there was hardly any impact in December. We have seen that pain, so-called pain in January, but it has not been two quarters, but it has been one quarter. Frankly we have talked this through and we have had several discussions with advertisers as well. I think it will be shortsighted to judge on the basis of the results of one quarter to withdraw what we are doing. It was a thought out strategy and we believe that there is long-term advantage in seeing it through and we are willing to take that pain for a quarter or two more if that is necessary for the long-term advantage and everything it will give us.

To come back to the earlier question that you had in terms of entertainment tax fall, actually we had two tax free films in this quarter, which is Neerja and Airlift, which saw the entertainment tax for this quarter being lower than what it was for the full year.

Abneesh Roy: That is all from my side. Thank you.

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

Sonal Gandhi: Thanks for the opportunity. Just wanted to understand this other expenses line item again. Like you said there is 8% kind of inflation growth, but even if I compare it on sequential basis we were spending about 71 Crores for 413 screens, and 80 Crores for 420 screens. So the jump looks pretty high?

Deepak Asher: Unfortunately, I would not have that number in front of me, so I will need to come back to you, what we have done is looked at all other expenses apart from film distribution share and entertainment tax and we have clubbed the employee benefits, property rent, conducting fees, CAM, repair and maintenance and all other overheads put together and divided that by effective number of screens. You got to look at the effective number of screens, because some screens open in the beginning of the quarter and some open on the end of the quarter, so we actually look at the effective screens in terms of what operated for the full quarter and based on that the number for the years was 14.6 million in FY2015 and 15.6 million in FY2016, which is a growth of 7%.

Sonal Gandhi: My question was more specific to the quarter probably I will take that offline.

Deepak Asher: But for the quarter, just to complete that picture, it was 3.6 million going up to 3.9 million, which was an 8% growth, now this is all expenses put together, but I see your question and maybe we will kind of respond to it offline.

Sonal Gandhi: Thank you Sir.

Moderator: Thank you. The next question is from the line of Rahul Maheshwari from IDBI Asset Management. Please go ahead.

Rahul Maheshwari: What expectations we can take for the ATP prices for the coming years and for the spend per head, the increase in as per management?

Deepak Asher: Normally, we do not give futuristic guidance on a quantitative basis. I can only draw your attention to the past trends historically. We have seen ATP is going up about 4% to 6% on a per annum basis and we see no reason as to why we cannot maintain that as long as the content pipeline remains as good as it has been or perhaps slightly better, similarly on spend per head on F&B as well we have seen growth to the extent of about 5% to 7% on a spend per head basis in the past and because of the various steps that we are taking we expect to be able to maintain at least that momentum of growth.

Rahul Maheshwari: Occupancy is going to increase as the content pipeline is robust, so any expectation?

Deepak Asher: We cannot put a number because this is to a large extent content driven and as long as the quality of content remains as good as it was we would expect occupancies to hold on to that 29% to 30% kind of, but again as I said, this is purely content driven.

Rahul Maheshwari: 89 screens, which are in the pipeline for FY2017, the majority of the screens are towards in which zone in west, north zone or into the south or east?

Deepak Asher: I think there is a fair mix and if you look at our presentation we have actually provided you the actual split where they are. So there is Aurangabad, Jaipur, Bengaluru, Cuttack, Kota, Rajkot, Howrah, Vizag, Surat, Coimbatore, Salem, Greater Noida, Pune, it is a mix, there is Chennai, Bengaluru, Nadiad, Surat, I do not think there is any particular concentration in any particular zone.

Rahul Maheshwari: Thank you Sir.

Alok Tandon: It is Pan India growth, which we are looking at.

Moderator: Thank you. Our next question is from the line of Urvil Bhatt from IIFL. Please go ahead.

Urvil Bhatt: Thanks for the opportunity. Just a couple of follows up, first on the ad revenues, as you just mentioned the ad rates were increased in around December18th or 20th, can you just let us know what was the quantum of increase and post the hike what is the difference in ad rates vis-à-vis other competitors?

Deepak Asher: Both question unfortunately we cannot answer. I mentioned to you that advertising minutes and the advertising rates is something, which is internal to us. It is sensitive and that is not something that we would like to share in the public domain and on the second question again as I mentioned we do not compare on a public call our performance with that to our competition.

Urvil Bhatt: One more follow up question on a property pipeline, you have mentioned 89 screens openings on FY2017, can you just give us a split between first half and second half, does majority of screens coming to second half?

Deepak Asher: I think it is more rear-ended very roughly I think you will see about 15 screens in Q1, 15 screens in Q2 and about 25 screens in Q3 and about 35 screens in Q4 and that is a very broad kind of breakup as far as we can foresee at this point of time.

Urvil Bhatt: Thank you.

Moderator: Thank you. Our next question is from the line of Sandip Sabharwal from Sun Capital. Please go ahead.

Sandip Sabharwal: Can you just please comment on your tax rate because your tax rate is very low, so how do you see the tax rate moving over the next two years?

Deepak Asher: Are you talking of income tax rate?

Sandip Sabharwal: That is right.

Deepak Asher: Eventually again there are two things happenings. First of all tax rate historically has been low because of two reasons; one is some of our properties were exempt from payment of entertainment tax and while that exemption from payment of entertainment tax adds to the bottom line , for tax purposes it is treated as a capital receipt and therefore it reduces your effective tax rate. That is one thing that was happening. The other thing that was happening was some of the acquisitions that we did and particularly Fame for example had an accumulated tax loss in the form of depreciation that we were able to take advantage of in setting of our taxable profits and therefore historically tax rates were quite low. Normally you would expect tax rates to be in the region of what the corporate tax rate is, which is about 33%, but at the same time I believe the policy of the government is to reduce corporate tax rates to around 25% over the next four years and therefore, I think it would be safe to assume that our tax rate would be in that vicinity as the impact of exempt properties goes down, general corporate tax rates will also go down and therefore you would maintain an average of about 25% corporate tax.

Sandip Sabharwal: So what would be carry forward losses on the balance sheet as on March 31?

Deepak Asher: From a tax perspective I do not have that number in front of me, but from a financial modeling perspective, it will be safe to assume an effective tax rate of about 25% going forward as well.

Sandip Sabharwal: Thank you Sir.

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

Kashyap Jhaveri: Good evening Sir. On the advertising part, do we contract the advertising ourselves or do we do it for aggregator and if we do it, aggregator once we are reaching a certain size of 600 screens odd plus, can that aggregator , in sort of , eliminated number from that whole chain?

Alok Tandon: It is a mixture of both aggregator as well as own team. We get aggregators who go to the market on behalf of Inox and we have own team also which goes and gets advertising revenues.

Kashyap Jhaveri: How would you substitute between that let us say if in a particular property or you have sort of identified properties for which would be aggregator will do and for which only your own people will do?

Alok Tandon: The rates already fixed.

Kashyap Jhaveri: I am saying properties also.

Alok Tandon: Also the property, we know that there is a consumer which is there out in the market and both the aggregator and us if we go to the consumer, the rates are the same, the discount structures are the same, it does not matter, so the aggregator does not reduce the cost or neither Inox team does. The rates essentially are the same whether the aggregator goes to the market or is the Inox team.

Kashyap Jhaveri: Sir let us say there is a SBI Life Insurance which wants to advertise on Inox screen across all properties, your aggregator would also approach them, you would also approach them and they would be telecast on your screen, so how does the fees gets segregated?

Alok Tandon: I would not say that is an issue at all, because whoever goes there, SBI Life first and we communicate with each other.

Deepak Asher: I think the point is that both the aggregator as well as us have a marketing outreach, we both going to the market, but none of us compete with each other, the aggregator and we do not compete with each other, because the rates are fixed and therefore no flexibility of us trying to outbid each other. It is something similar to online booking, for example that only expands our reach to the market, it will not eat into our current market.

Kashyap Jhaveri: Would you be able to share proportion of your total ad revenue in terms of your own team and aggregator?

Deepak Asher: No we wouldn't be able to.

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

Amit Kumar: Thank you so much for the opportunity. You have done a little bit of recast of your numbers in the previous years, could you just explain that to us?

Deepak Asher: That is because of amalgamation of Satyam as you know it happened in the last month of March, the High Court approved the amalgamation in the last merger in March, but the effective date was August 2014 to all the numbers for FY2015 as well as the quarters of FY2016 had to be recast to account for that merger.

Amit Kumar: In respect to third quarter, there is a taxation element which you have highlighted about 2263 lakhs benefit that you are getting, could you just help us to understand that Sir?

Deepak Asher: There is a fourth quarter right.

Amit Kumar: Fourth quarter.

Deepak Asher: That is right, so as I mentioned was when we acquired another entity Fame there was carry forward loss of which we could take the advantage in our assessment. We received the assessment order for that year in March and therefore we accounted for the tax benefit when the benefit actually was approved to us, which was when the assessment was passed.

Amit Kumar: Just to understand there is a cash benefit or how does this work?

Deepak Asher: Eventually it will be a cash benefit but to that extent that we were in the last three or four years since we acquired Fame in a MAT situation we paid tax based on MAT, so it means in our MAT credit goes up to this extent and therefore a cash benefit will fructify itself in the future years by utilizing that MAT credit.

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

Moderator: Thank you. The next question is from the line of Abhijay Sethia from SJC Advisors.

Abhijay Sethia: My question is more around what plans management has the kind of intrinsically increase occupancy as we go forward, so leaving aside content, which obviously is impossible for you guys to control, do you have thoughts around perhaps stuff like dynamic pricing where you kind of go down the route of what airlines are doing with last minute kind of when you are increasing demand you can increase pricing or vice versa, reduce pricing people buy or purchase tickets in advance and then secondly just on whether if you can share the percentage of tickets book online on your platform app versus BookMyShow?

Deepak Asher: The second question, we cannot share that as I mentioned 20% has gone up to about 27% but both BookMyShow as well as our platform together. We cannot share with you the split up between the two. On your first question in terms of content being what it is, this is something that we do on an ongoing basis virtually on day-to-day basis and that practically is the function of the operating team and the programming team in order to see how we can drive the occupancies in terms of better programming which contents to show on the screen, what kind of show timings to keep, what kind of ticket pricing flexibility we can use in order to drive up occupancies, our various kinds of associations with different brands that we get associated with as a marketing exercise to drive occupancies, the promotional activities that we do in each of our properties, the tie ups that we do, not forgetting the tie up that we did with IMAX, we believe that the IMAX screen that will setup will also improve ticket pricing as well as occupancies and also the overall profile of the property because the branding with IMAX will help in driving footfalls into our properties. So again there is a host of things that we do on a dynamic online virtually day-to-day basis in order to improve footfalls.

Abhijay Sethia: Have we managed to introduce some kind of loyalty program where you kind of understand more about the consumer and drive the repeat purchases?

Deepak Asher: We have not done that yet.

Abhijay Sethia: Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question. I now hand the conference over to Ankur Periwal for closing comments. Thank you and over to you Sir!

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

Deepak Asher: On behalf of the management, I would like to thank all the investors, analysts and all others who participate on this call. We truly appreciate your interest in tracking the performance of this company and we look forward to your continued support going forward as well. Thank you.

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