

## Conference Call Transcript

**INOX Leisure Limited**

**Q2FY15 Results**

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### *Corporate Participants*

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**Mr. Deepak Asher**

*Director and Group Head – Corporate Finance*

**Ms. Daizy Lal**

*COO – Entertainment Business*

**Mr. Upen Shah**

*CFO*

## Questions and Answers

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**Moderator:** Ladies and gentlemen, good afternoon and welcome to the Q2 FY'15 Financial Results call with the management of INOX Leisure Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing "\*" and then "0" on your touchtone phone. I now hand the conference over to Mr. Abneesh Roy, Associate Director, IE Research of Edelweiss Financial Services Limited. Thank you and over to you Mr. Roy!

**Abneesh Roy:** Good afternoon and thanks everyone for joining us today. We would like to welcome Mr. Deepak Asher – Director and Group Head, Corporate Finance, for INOX Group of Companies, Mr. Alok Tandon – CEO of INOX Leisure and Mr. Upen Shah the CFO of INOX Leisure and thank them for giving us this opportunity to host this call. Today they will be sharing with us the Q2 FY'15 results and business update, post which we will have the Q&A session. Over to you Sir!

**Deepak Asher:** Thank you very much Abneesh and very good afternoon to all of you. This is Deepak Asher here, Director and Group Head Corporate Finance of the INOX Group of companies. On behalf of the management and the board of directors of INOX Leisure Limited, I am pleased to extend to you a very warm welcome to this earnings call organized by Edelweiss. I am extremely grateful to all of you for the time and the interest that you have shown in tracking the performance of this company.

Unfortunately, Alok Tandon could not be here because of an emergency that cropped up yesterday. So he is kind of stood in by Ms. Daizy Lal who is the COO of the Entertainment Business and looks after operations under Alok and besides Daizy, I also have with me Mr. Upen Shah, the CFO of the company.

The board of directors of INOX Leisure Limited has approved the quarterly results of INOX Leisure for the quarter ended September, and I would like to present to you a snapshot of the results, which have just been uploaded on the website of the stock exchanges as well as the company.

Gross box office collections for the second quarter of FY'15 ended at INR1799.6mn which represents a 14.9% increase on a Q-on-Q basis, they were INR1565.6mn in the first quarter of FY'15 and a 7.4% increase on a Y-on-Y basis, they were INR1675mn in the second quarter of FY'14.

Total revenues ended up at INR2666.7mn, which represents a 14.3% growth on a Q-on-Q basis and 12.4% growth on a Y-on-Y basis.

EBITDA in absolute value was INR373.2mn, which is a 23.6% increase over the EBITDA of INR301.9mn in Q1 of FY'15. EBITDA margin consequently improved from 12.95%, which is what it was in the first quarter of FY'15 to 14.0% in the

second quarter.

PAT ended up by INR52.3mn in the second quarter of FY'15. This is a 14.1% increase of the PAT of INR45.8mn, which we showed in the first quarter of FY'15. PAT margins consequently remained at around 1.96%.

So this is the broad overview of the financial numbers for the quarter.

In terms of new property openings, as you might recall, we had opened one property in the first quarter of this year that was a three screen and 646 seat property, at Dreamz Mall at Gurgaon. This quarter which is the quarter ending September, we have opened three properties, comprising of 10 screens and 2478 seats. These are at Vizag, Jalgaon and Faridabad.

With these openings we now operate in 17 states, 50 cities - this by the way the largest citywide footprint in the country. There is no other multiplex chain that operates in 50 different cities in the country. We operate 92 properties, 361 screens and 96,058 seats.

We have a truly pan India presence, with 17 city presence in the west, comprising of 32 properties 130 screens and 37,000 seats. Our next significant presence now is within the north where we operate in 14 cities, 21 properties, 75 screens and upwards of 19,000 seats. In the south we operate in 10 cities, we have 21 properties, 86 screens and 20,000 seats and in the east again possibly the largest multiplex chain operating in the east, we operate in 9 cities, 18 properties with 70 screens and upwards of 18,000 seats.

Coming to the operating parameters, we did occupancy of 26% in the second quarter of FY'15. This was comparable to the 26% that we did in the first quarter of FY'15 though lower than the 33% we did in the second quarter of FY'14. Clearly the quality of content has not kept pace this year with what it was last year.

Footfalls improved marginally. 11.2 million footfalls in Q2 of FY'15 compared to 9.9 million footfalls in Q1 of FY'15 that is a growth of 13% and on Y-on-Y basis 11.2 million footfalls as compared to 10.8 million in the second quarter of FY'14 - that is a growth of 4%.

Occupancies of comparable properties; however, fell in this half year from 32% to 27% and footfalls of comparable properties fell from 21.3 mn footfalls in the first half of FY'14. This fell to 18.3 mn footfalls in the first half of FY'15.

We have been able to maintain the momentum of ticket price growth. This grew from INR159 in the first quarter of FY'15 to INR162, which is about a 2% growth, 1.88% to be precise, on a Q-on-Q basis. Ticket pricing was INR156 in the second quarter of FY'14, on a Y-on-Y basis this represents roughly about a 4% growth.

The second key revenue driver for us is F&B service. We continued here again to maintain the momentum of increase in the SPH - the Spend per Head - on food and beverage services across our properties this stood at INR54 in the first half of FY'15 as compared to INR48 in the first half of FY'14. Not just is the Spend per Head on revenue side going up but we have also been able to manage the

cost of goods on the F&B side and this has reduced from 27% which is what it was in the first half of FY'14 to around 23% in the first half of FY'15.

As a result of which the value add on the F&B service has gone up by about 19% from INR35 per patron in the first half of last year to around INR42 per patron in the first half of this year. By the way this INR42 per patron of the value add that we have on food and beverage service is roughly equal to the topline that we had on the food and beverage services around four years ago which is in FY'11, which would mean that over the last four years because of the increase in F&B prices as well as reduction in F&B cost we have been able to meet the entire F&B cost that we had about four years ago and everything now is value add.

The third revenue driver for us is advertising and other operating income. This again we have been focusing for the last two to three years on increasing this revenue pie because as I mentioned in the last call as well this is virtually, entirely bottomline as far as we are concerned. So this has been going up from about INR0.92mn per screen, which is what it was in the second quarter of FY'14 to about INR1.03mn per screen, which is what it is in this quarter. This represents an increase of about 12% and if you look at the long-term trends total advertising and other operating income in FY'11 was INR1.56mn per screen per annum. This went up to INR3.79mn per screen per annum in FY'14 and currently it stands at about INR1.03mn per screen this quarter, which on an annualized basis would be upwards of about INR4.1mn per screen per annum.

As a result of this the absolute value of advertising and other operating income has been going up significantly. This was INR359.3mn in this quarter as compared to INR294.4mn in the immediately preceding quarter, which is a Q-on-Q growth of 22% and INR251.6mn in the second quarter of FY'14, which is the Y-on-Y growth of 42%.

On the cost side, the direct costs remain more or less within control. Our average entertainment tax rate, which was 18.2% in the first quarter of this financial year, is 17.8% in the second quarter. This compares almost identically to the 17.7% we paid in the second quarter of last financial year. Payouts to distributors for content also remain more or less within the normal range of about 36% of GBOC, Gross Box Office Collection. In fact for the quarter-ended September it was 36.1% compared to 36% in the first quarter of the current financial year.

Other overheads have gone up slightly in the first half of the year at 44% as compared to 38% in the first half of last year. This is largely because of as I said bad content leading to lower collections despite increase in the number of properties. We have been able to slightly improve upon this as compared to the first quarter of the current financial year. These were at 44% in Q1. They are now at 43% in Q2.

So that is the brief snapshot of the financial performance as well as the key operating parameters in the business.

Going forward we are currently working on a property pipeline which comprises of around 7 properties that we expect to open in this quarter, which is quarter three of this financial year. This would be 21 screens and in addition to this there will be another 7 properties or 25 screens that we expect to open in the fourth quarter. So with these property openings we would expect to close this financial year, which is March 2015 in excess of 400 screens possibly in the range of 405 to 410 screens. We also have tied up properties equivalent to roughly about 136 screens post FY'15. This obviously is not the end. There would be more but this is just the pipeline that we currently have tied up and surely will be tying up more properties as we go along.

Apart from the property pipeline we expect that there to be a robust content pipeline as well. Several large releases lined up in the next two or three months, over which we have visibility for example on the October 24, we expect Happy New Year to be released. This as you now is the much-awaited Shah Rukh Khan title. In November, we have The Shaukeens and Kill Dil being two of the largest titles expected in that month. In December again we have Action Jackson and P. K. and in addition to this obviously there are host of other movies four or five other titles, which are expected to do reasonably well.

So with a strong property pipeline as well as fairly robust content pipeline we would expect the performance going forward should be better than what we have had in the past.

So that is from me Abneesh. I would like to hand this over to you and may be you can open it for any questions that analysts might have.

**Moderator:** Ladies and gentlemen, we will now begin with the question and answer session. We will take the first question from the line of Mr. Abneesh Roy. Sir you may go ahead.

**Abneesh Roy:** Sir my first question is last two, three quarters if you see has been EBIT volatile for entire sector. Now we have a very large movie coming up this week which you have also highlighted, urban recovery there are some green shoots in some of the sectors but lot of sectors are still waiting a few quarters, maybe one or two quarters for the green shoots may become stronger. What is your reading is this the last quarter of slowdown or based on content things can remain volatile?

**Deepak Asher:** Well, I would hope that it is the last quarter of the slowdown. Obviously it is a business which is to a large extent driven by content and therefore if the content is good then you would see audiences thronging the cinema theaters irrespective of what is happening on the macroeconomic environment. So we have not seen our business being affected as much by macroeconomic parameters as we have with the quality of content.

**Abneesh Roy:** Sir on this new movie Happy New Year could you take us through the pricing. I understand pricing of this movie is more expensive than the normal one which always happens with these kind of movies, but is there a trend when I compare like-to-like these kind of budget movies is there an upward movement or it is largely in line with the earlier blockbuster movies?

**Deepak Asher:** Well again pricing is something that we do look at on a film to film basis, so if it is expected to be a blockbuster as this is one is obviously the pricing for this would take that into consideration. I cannot obviously talk about specific pricing for individual titles also because these vary from property-to-property as well but if it is a large blockbuster then our attempt would be to optimize pricing in order to ensure that we maximize revenues at the same time without compromising on occupancies.

**Abneesh Roy:** I will come back later. Thanks for this.

**Moderator:** Thank you. We have the next question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

**Ankit Kedia:** Sir the data, which you gave in your opening, remarks does this include Satyam Cinemas as well?

**Deepak Asher:** Satyam Cinemas is 100% subsidiary of Inox Leisure limited with affect from the August 8th and therefore the results include the consolidation of Satyam for the period starting from August 8th till September 30th.

**Ankit Kedia:** So the ATP and SPH include Satyam?

**Deepak Asher:** Yes the numbers that I indicated includes Satyam but the subject to caveat that only for the period from August 8th onwards.

**Ankit Kedia:** Sir in the last concall we were made to believe that Satyam's ATPs are higher compared to our standalone company with positive operating profit so could you share something incremental on Satyam if we have to look it on like-to-like basis for ex-Satyam what was the growth?

**Deepak Asher:** Yes I did indicate that the average ticket price for Satyam is not just higher than INOX'S but we believe amongst the highest in the industry and therefore the consolidated results that we present factor in that the impact of Satyam coming in as well. I would say that it is a bit too short a period for us to come to a macro judgement on the impact of Satyam on the operation of INOX Leisure, you need to give us a little bit more time and hopefully by the end of next quarter when we would have had significant time to have absorbed the Satyam impact into our results will be able to discuss that.

**Ankit Kedia:** Sir could you also throw some light on profitability of Satyam because again last time you mentioned that Satyam was profitable at operating front but in the financials we are looking at marginal losses as well coming from there so would that benefits accrue to us over next coming quarters?

**Deepak Asher:** I would expect so. Frankly the whole rational of the acquisition was that it will be EBITDA and PAT positive you would not see than in this period because as I said if I may say so 50 days is too shorter period for us to judge us on the value of the Satyam acquisition you will need to give that a bit more time.

**Ankit Kedia:** Sir some of the treasury stock was sold during the quarter, would we repay the debt or how will the cash be utilized?

**Deepak Asher:** Yes the treasury stock was sold during the quarter and we expect to pay that cash to retire the debts that was taken for the Satyam transaction. That will be done as and when the repayment falls due.

**Ankit Kedia:** Thank you Sir. That is it from my side.

**Moderator:** Thank you. We will take the next question from the line of Alankar Garude from Edelweiss. Please go ahead.

**Alankar Garude:** Good afternoon. Sir firstly can you give the breakup of ad and other operating revenues?

**Deepak Asher:** You want it for the quarter?

**Alankar Garude:** If you could give for the half year as well that would be great.

**Deepak Asher:** Firstly for the quarter which is the second quarter the ad revenues was INR178.1mn and the other operating revenues were INR181.2mn for the half year the ad revenues was INR327.8mn and the other operating revenues were INR326mn.

**Alankar Garude:** Can you give the same numbers for last year as well?

**Deepak Asher:** For the second quarter of FY'14, there was INR110.4mn of ad revenues and INR141.2mn of other operating revenues and for the half year INR188mn of ad revenues and INR292.5mn of other operating revenues. So if I may, if you compare the two half years which is first half of FY14 versus first half of FY15 ad revenues have gone up from INR188mn to INR327mn and other operating revenue has gone up from INR292mn to INR325mn.

**Alankar Garude:** Sir a follow up on this if you see our ad revenues versus PVR, we see that there is a huge gap. Roughly PVR's ad revenues is almost half that of the entire multiplex industry in spite of the actual number of screens being much lower than 50%. What are the steps we are trying, to bridge this gap? Do you foresee this gap reducing over the next two, three years?

**Deepak Asher:** Yes, as I mentioned in my presentation itself we are laying a lot of focus on increasing our advertising revenues and we have taken several steps to do that. First of all we have strengthened our marketing team both in terms of depth as well as breadth. We have opened zonal marketing units across the country in order to address advertisers in different zones in addition to a central marketing team that we have here in Mumbai itself. We have increased the inventory of our marketing space both onscreen as well as off-screen in order to ensure that we are able to monetize a larger part of that inventory. We have introduced several innovative pricing mechanisms. For example we have now even in advertising flexi pricing just as you have higher ticket pricing for blockbuster movies and not so high prices for regular movies even for advertising we now have higher advertising rates for advertisements which are during blockbuster movies. We have increased the general rack rate for advertising. We have another innovative means that we have started on advertising, which is, instead of our fixed advertising price, we are willing to take the risk of the eyeballs that come to our properties and therefore we are



now for some advertisers charging advertising revenues which are based on cost per contact which means a certain fixed revenue for eyeball in this Cinema and this is led to an increase in the advertising revenues. We are addressing new customer segments. For example DAVP for government advertisements, banks, etc. We are trying to monetize our website spaces for enhancing advertising revenues. We have started charging for trailers just like onscreen advertising because trailers which are like more than two or three weeks ahead of the commercial release of the film. So there are kind of a list of eight to ten things that I can think of the back of my head right now that we are tried to do to increase the advertising income and that clearly has led to a significant increase. In fact it might be worthwhile mentioning that our advertising income for this quarter at INR178mn for the quarter was equal to INR172mn that we did in the full financial year of FY11 so over the four year period we have actually got this revenue item to go up by four times.

**Alankar Garude:** Thanks a lot Sir. That was really very helpful. I will come back if I have more. Thanks.

**Moderator:** Thank you. We have the next question from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

**Avinash Agarwal:** Sir on this interest part I just wanted to understand this acquisition debt is at what rate Sir?

**Deepak Asher:** You mean the debt for the Satyam acquisition?

**Avinash Agarwal:** Yes Sir.

**Deepak Asher:** It would be at the rate of about 10% to 10.5%.

**Avinash Agarwal:** Sir secondly, am I correct that the F&B revenue would be closer to INR600mn is that the right number?

**Deepak Asher:** For what period?

**Avinash Agarwal:** Q2 Sir.

**Deepak Asher:** Well Q2 FY'15 would be about INR510mn.

**Avinash Agarwal:** This is for standalone or consol entity Sir?

**Deepak Asher:** No, this is console except that when I say Satyam is consol for the period from August 8th.

**Avinash Agarwal:** You mentioned 11.2mn footfalls and you SPH of INR54 so if you just multiply that I think it comes to...?

**Deepak Asher:** Yes, except that in the SPH unit you need to remove the indirect taxes because those then in the P&L or not credited to revenues.

**Avinash Agarwal:** Thank you and all the best.

**Moderator:** Thank you. Our next question is from the line of Pritesh Chedda from Emkay Global. Please go ahead.

**Pritesh Chedda:** Thank you Sir. You could tell us the capital expenditure required for the screen expansion and the maintenance capex for FY15 and FY16?



**Deepak Asher:** Two questions - the capex for the pipeline of properties would be roughly at the range of about 1.75 well around INR17.5mn per screen so depending on how many screens we set up since we expect to set up about 50 screens over the next six months you would expect capex of roughly about INR800 to 900mn. This of course is the gross capex this would be funded by debt, which would be about 60%, and the balance would come from the cash flow of the business. Maintenance Capex would be roughly about 5% but that again is charged on a regular basis to revenue.

**Pritesh Chedda:** Okay it is charged to the P&L?

**Deepak Asher:** Yes.

**Pritesh Chedda:** Any major refurbishment capex, which comes up?

**Deepak Asher:** Well nothing significant as I mentioned last time as well we have a continuous program of refurbishing all our properties on a regular basis so it is not that we come up with a sudden expense out of the blue in any particular year.

**Pritesh Chedda:** So what is capitalized is the new screens only?

**Deepak Asher:** That is right.

**Pritesh Chedda:** What it would should be in FY16 by similar 1.75 into 50 screens?

**Deepak Asher:** Yes I would assume that.

**Pritesh Chedda:** So both the years it is 50 screens?

**Deepak Asher:** No the number of screens next year were obviously be much higher as I mentioned to you we have already tied up for about 136 screens this year.

**Pritesh Chedda:** So fair assumption is say closer to about 100 screens at least for FY16.

**Deepak Asher:** Yes you could take that.

**Pritesh Chedda:** Thank you very much and all the best.

**Moderator:** Thank you. We have the next question from the line of Manu Pandey from Infinity Alternatives. Please go ahead.

**Manu Pandey:** My question basically is in two folds one is what the outstanding treasury stock that we currently hold is and what is the outstanding debt of the company as of date?

**Deepak Asher:** The treasury stock that we hold as of September 30 is roughly about 11mn shares at the current market size of about INR175 this would be roughly equal to about INR1900mn, in terms of value the total debt of the company would be around INR2900mn and therefore net of the treasury stock at current value the net debt would be roughly about the INR1000mn.

**Manu Pandey:** This is excluding the share that is already sold the receipt from those?

**Deepak Asher:** Yes that is right.

**Manu Pandey:** Thanks.

**Moderator:** Thank you. We have the next follow up question from the line of Ankit Kedia from Centrum Broking. Please go ahead.

**Ankit Kedia:** Sir during the quarter a lot of radio advertisements were done and lot of promotional schemes were done for week day primetime kind like less than INR70 ticket price and INR100 ticket price across lot of cities, despite that occupancy levels have declined due to the content but incrementally going forward would we continue these schemes and how would you look at occupancies has good content arises would we stop these schemes for customers or would they continue?

**Deepak Asher:** If you look at the long-term trends in occupancies apart from the aberrations that we have been having for the last two quarters occupancies have been upwards of 30% in fact FY'11 was 32%, FY'12 was 31%, FY'13 was 30% so I would expect if the quality of content maintained itself we would see occupancies of around 30%. We would continue to explore opportunities of improving occupancies, which would include this kind of scheme that you mentioned. This of course would depend on what kind of content we get going forward and we obviously the objective is to maximize the product of the pricing and occupancies so we will do whatever is required to do that.

**Ankit Kedia:** Sure and Sir just a question on your debt which you mentioned if I look at your balance sheet your long-term borrowings and short-term borrowings total have INR4600mn odd but you mentioned your debt is only around INR2900mn?

**Deepak Asher:** Yes, but that is because we have quasi cash - the treasury that we sold in the month of September.

**Ankit Kedia:** You are talking of net cash.

**Deepak Asher:** Yes that is right it is lying on the asset side of the balance sheet.

**Ankit Kedia:** Okay, not an issue. Thank you.

**Moderator:** Thank you. Our next question is from the line of Riken Gopani from Infina Finance. Please go ahead.

**Riken Gopani:** Sir just one thing I wanted to understand of the screen expansion that you plan to do for next year, geographically how would the breakup broadly be looking like?

**Deepak Asher:** I will see if I have that somewhere but I do not think it will be very different from what the current geographical distribution is.

**Riken Gopani:** Mainly, I wanted to understand that the next year expansion plan seems to be quite strong versus what we have done in the last one or two years. So 130 screens is it driven more by what was signed by Satyam or is it almost being planned under the INOX brand?

**Deepak Asher:** No it is a mix of both INOX as well as Satyam but maybe I

need to correct for perhaps an inadvertent misimpression that I might have created the 136 was beyond March 2015 not necessarily culminating in March 2016 so this was the kind of look ahead property is beyond March 2015. I perhaps give you the impression as of one financial year, which may not be the case.

**Riken Gopani:** So would it be reasonable to assume a 50 runrate for next year as well as a fully one year number or would it still be higher than the 50 screens number...

**Deepak Asher:** That is based on the plan that we currently have we are looking at roughly about 75 screens for the next financial year.

**Riken Gopani:** Within that if you could just give the number of what would be added in Satyam?

**Deepak Asher:** Frankly that distinction is irrelevant now because Satyam is a 100% sub and in fact we have already kind of have plans to merge Satyam with INOX so antecedents of that pipeline is really irrelevant.

**Riken Gopani:** Okay, the point was understood whether the average ticket prices benefit because of geographically being in the northern region in terms of expansion or how would we be placed?

**Deepak Asher:** Sure I think the relevant question would be what is the geographical spread of that pipeline rather than whether there was Satyam led or INOX so as I said the geographical distribution is something similar to what our current spread is.

**Riken Gopani:** Okay so that should be, and one last point is on the F&B side over the next one or two years where do you see this scaling up in terms of spend per head for INOX?

**Deepak Asher:** Well we would expect spend per head to keep on going up at about 5% to 7% every year on a per head basis. I would believe that we have reached the best on the cost of goods sold that be possibly good at 23% which I think is the best in the industry, so there may not be a significant scope for improvement on that account but with purely the value add will come from the spend for as going up by as I mentioned 5% to 7% every year.

**Riken Gopani:** That is it. Thank you.

**Moderator:** Thank you. We will take the next question from the line of Mr. Alankar Garude from Edelweiss. Please go ahead.

**Alankar Garude:** Sir few follow up questions from my side. Firstly sir what are our rebranding plans for Satyam? Do we hope to maintain the Satyam brand or we plan to eventually phase it out and bring it under the INOX brand?

**Deepak Asher:** As I mentioned again in response to a similarly query that had come up in the last call eventually the plan will be to merge it into the INOX brand. This could take time. As I said will first get into operational integration and then we will kind of integrate the entity into INOX and obviously then there would also be brand integration. I would assume this will take over the next

twelve months or so.

**Alankar Garude:** Sir secondly on our online ticketing revenue stream so what is the percentage of our tickets being booked online right now?

**Deepak Asher:** I think this would be roughly in the range of about 16% to 18%.

**Alankar Garude:** Okay and what percentage of that would be from our website and what percentage from other online ticketing websites?

**Deepak Asher:** Roughly around 15% comes from the third party website and about 3% to 4% from our own website.

**Alankar Garude:** Last question from my side; we have already seen over the last one year if I compare the gross margins in F&B for first half of FY14 with the current first half of FY15 already gross margins have improved from about 73% over 77% in the F&B business. Do we foresee any further improvement in gross margins over the next few years?

**Deepak Asher:** No as I said 23% cost of goods sold which you are referring to as 77% margin is possibly the best we could do. I do not foresee any significant change in this say except may be plus minus 1% point. The improvements therefore will come from the increase in spend per heads which I expect to be in the range of about 5% to 7%.

**Alankar Garude:** That was very helpful. Thanks a lot.

**Moderator:** Thank you. We have the next question from the line of Parikshit Shah from QVT. Please go ahead.

**Parikshit Shah:** Good afternoon. Sir actually just wanted a quick indication on Q3 in terms of the utilization trend that you are seeing especially after the release of Bang Bang and Haider this month?

**Deepak Asher:** Well it is too early to judge Q3 based on a two to three week performance but clearly Bang Bang and Haider have done better than what the average for the last quarter was.

**Parikshit Shah:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Swanand Kelkar from Morgan Stanley. Please go ahead.

**Swanand Kelkar:** I had a quick question on the balance sheet you just mentioned that you have cash lying on the asset side and you have for debt for the Satyam acquisition so if you could just help me with what are the timelines when you can pay the debt down and what it means for the interest cost charged to P&L?

**Deepak Asher:** Well as I mentioned first of all the debt is at about between 10% and 10.5% so that is the cost that is being incurred on that debt. The treasury stock that was sold during the month of September realized us cash, which we are going to use to repay the debt. I think the next debt installment would fall due sometime in the month of December so till then that cash is invested in liquid plans which yield for us the return of roughly about 9%.

**Swanand Kelkar:** When the amount is paid off where do you think your interest cost settles at in the P&L or where does the debt settle at in the balance sheet given that you have a 10%, 10.5% cost of funds?

**Deepak Asher:** I thought I already mentioned that my net debt today was roughly about a INR1000mn so if you cancel off the treasury stock and the debt you are left with a INR1000mn debt which would be roughly at about 11% cost.

**Swanand Kelkar:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Sumit Sarda an Individual Investor. Please go ahead.

**Sumit Sarda:** Good afternoon Sir. This is a question for the long-term perspective given that we might grow by inorganic route do we have any stated cap on valuation that we might like to acquire at?

**Deepak Asher:** Being an acquirer, I would also like to acquire at as lower cost as possible. Currently the market is being valued at roughly about nine to eleven times EV to EBITDA. So I would assume any acquisition that I would want to do would be in that kind of ballpark range. Obviously we need to look at specific opportunities and the strengths and the weaknesses of those opportunities to determine or ascribe an exact value.

**Sumit Sarda:** Sir did you have a look at the Fun case?

**Deepak Asher:** I am sorry I cannot mention any specific transactions that we may or may not be evaluating.

**Sumit Sarda:** That is all. Thank you.

**Moderator:** Thank you. Our next question is from the line of Sunny Agarwal from Aditya Birla Money. Please go ahead.

**Sunny Agarwal:** Good afternoon. Thanks for the opportunity. Sir my question is on competitive scenario how that is emerging especially in terms of expansion since north and west being an area of high ATP. Are we seeing any signs of oversupply as far as screens are concerned and that is leading towards toll as far as occupancy for every our industry players in particular regions so your thought process on that?

**Deepak Asher:** If you look at the macro picture, I believe India as a market is far from being over screened in terms of actual statistics we have less than nine screens per million population compared even for example economies like China have 30 screens per million population, Europe is about 35 screens per million population and the flagship illustration here is the US which has 120 screens per million population. Now if you look at again the breakup of the nine screens per million population that the India has less than two screens per million populations are multiplex screens rest of the seven has single screen Cinema theaters which are not the best of quality and many of them are on the verge of close down. So in that sense I believe we are significantly under screened and therefore there is ample potential for growth after considering the fact that we are one of the largest film watchers in the world - about 5 billion tickets sold every year and also one of the largest film producers in the world, with 200 to

250 Hindi movie titles and about 500 to 600 regional language films being produced every year. So the macro fundamental is I believe are very good and there remains in our view a significant potential for growth in a sector.

**Sunny Agarwal:** Sir just extension of that if I may redo that question can we say that our top five to six cities which have a major contributor for the whole industry if there any signs of overcrowding over there?

**Deepak Asher:** Again, I do not think we should look at it on a city basis. There maybe one or two catchments specifically which are overcrowded but I think the trick is to try and go to places where there is a significant untapped catchment potential.

**Sunny Agarwal:** Sir my last question is on are we looking for any inorganic acquisition especially as per media report. I think the Big Cinema and a Fun Republic is on block so are we looking to participate in that?

**Deepak Asher:** As I said I cannot mention any specific acquisition opportunities that we may or may not be looking at but as a general business philosophy I have stated several times earlier that we continue to remain interested at looking at all growth potential - organic as well as inorganic.

**Sunny Agarwal:** Thanks Sir.

**Moderator:** Thank you. We will take the follow up question from Mr. Roy. Sir you may go ahead.

**Abneesh Roy:** Sir two follow up questions one is if you see IPL has been a threat for most other entertainment options including multiplex now we see a Pro Kabaddi and currently the Football League so in that context Pro Kabaddi had very decent viewership also and football viewership numbers are still awaited so how worried are you from this because then it can become a round the year threat for your business?

**Deepak Asher:** To be honest with you we do not believe that these events have had any impact on our footfalls. As I mentioned we believe it is largely content driven rather than any competing entertainment option driven and we have not for example seen occupancies go down during the days or timings that these events have been staged.

**Abneesh Roy:** Sir currently if you see the numbers are anyway bit on the lower side when the Pro Kabaddi happen for example and the football league also so to that extent it is a bit untested territory right?

**Deepak Asher:** Again there is no science behind this but as I said our belief continues to be that this content driven rather than event driven.

**Abneesh Roy:** Sir secondly regarding the margins in the other businesses in the non-exhibition business F&B etc., what is the sense you are getting because we are seeing a general correction in some of the raw material not exactly food but where do you see that setting with food inflation also much lower versus that your last three years so in that context do you see food margins expanding or largely it will be range bound?

**Deepak Asher:** No I think they will remain at these kinds of levels. As I mentioned the operating within about 76% to 78% margin on the food that we sell and I believe this is incrementally the most of best in the industry and we should be able to maintain this.

**Abneesh Roy:** Sir one last one on the macro if you see last two, three years because that the way Indian GDP was, liquidity tightening etc., now with last three, four months there has been a dramatic recovery in those at least in terms of sentiment, in terms of liquidity in the markets etc., so are you seeing a good pickup in terms of laying of malls, setting up a malls because for you that is the most important thing for expansion and what we heard from other retailers is after two, three years India's mall expansion will slowdown drastically but now on the last three, four months what is the mood you are getting because this has been usual signs but do you see now the mall issue getting resolved or it is still be an big challenge after two three years?

**Deepak Asher:** Well if I am talking to mall developers the sentiment that we get is surely positive and it is only got better in the last three or four months but we have to see how long it can sustain itself and whether that positive sentiment would translate into action on the ground but as of now it certainly seems to be upbeat.

**Abneesh Roy:** That is all from my side. Let us take it further anymore.

**Moderator:** Thank you. As there are no further question from the participants, I now hand the floor back to Mr. Abneesh Roy for closing comments. Thank you and over to you Sir!

**Abneesh Roy:** Thanks everyone for participating in this call today. A very special thanks to the management members of INOX Leisure for allowing us this opportunity. Have a good day and thanks.

**Deepak Asher:** On behalf of INOX Leisure, I would also like to thank all of you as I said for your time as well as interest I would like to thank Edelweiss for organizing this. I would like to wish all of you a very happy Diwali and a very prosperous New Year. Thank you.

**Moderator:** Thank you Sir. Ladies and gentlemen on behalf of Edelweiss Financial Services Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.



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