

4th May, 2020

To,
BSE Limited
P J Towers,
Dalal Street,
Mumbai – 400 001

**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: 532706

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 Thursday, 30th April, 2020.

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>.

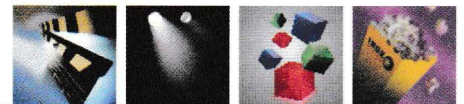
Kindly take the same on record.

Thanking you,

Yours faithfully,
For INOX Leisure Limited

Parthasarathy Iyengar
Company Secretary

Encl.: As above





“INOX Leisure Limited Conference Call”

April 30, 2020



ANALYST: MR. RAHUL ARORA - NIRMAL BANG EQUITIES PRIVATE LIMITED

**MANAGEMENT: MR. SIDDHARTH JAIN – DIRECTOR – INOX LEISURE
MR. ALOK TANDON – CHIEF EXECUTIVE OFFICER – INOX LEISURE
MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER – INOX LEISURE**



*INOX Leisure Limited
April 30, 2020*

Moderator: Ladies and gentlemen, good day, and welcome to the INOX Leisure Limited Conference Call, hosted by Nirmal Bang Equities Private 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 assistance during this conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Rahul Arora from Nirmal Bang Equities. Thank you and over to you Sir!

Rahul Arora: Thanks, Mallika. A very good morning to all the participants who have logged into this call and a special thank you to the entire management team of Inox for giving us the opportunity to host this call. The management will be represented by Mr. Siddharth Jain – Director; Mr. Alok Tandon – the Chief Executive Officer; and Mr. Kailash B Gupta – the Chief Financial Officer. Thank you guys so much for joining in once again and I request the management to make their opening comments on how they were seeing business shapeup, it has been a month into the lockdown, what the outlook is on the business and I guess once they are done with the opening comments, we can open the line up for the question and answer. So welcome to the call again and I hand it over to you.

Alok Tandon: Thank you Rahul. Good morning everyone, I am Alok Tandon and I hope that you and your family are safe during this testing time. I would like to thank you all for joining us on this call. With a relentless focus on experience we at INOX have created new benchmarks in the Indian Cinema Exhibition Industry. Due to higher standards of corporate governance and the way of working, our financial performance over the past 8 to 10 quarters have made us one of the top organizations in our industry. Our conservative approach adopted in the past is not only providing a solid foundation to our balance sheet now but is also paying off as a cushioning against the adversity to some extent. However, the COVID-19 has left a severe impact on our industry and as a result, we are going through one of the toughest times in our business. We have always believed in the principle of transparency and therefore we decided to host this call, so we want all of you to know how we are dealing with the situation and what does the future has in store for us. You may well understand that for a business, which operates on all 365 days in a year, closure of operation like this, it is like an unsolicited pause, but we are making the best use of this. We are using this opportunity to introspect and contemplate our business processes and reengineer them to emerge stronger and smarter out of the situation. As per the directive from the Government of India, currently, all our 626 screens in 147 locations are closed for operations due to COVID-19 pandemic. I would now like to hand over to Mr. Siddharth Jain for his comments, which he would like to make on this call.



INOX Leisure Limited
April 30, 2020

Siddharth Jain:

Good morning everyone. This is Siddharth Jain speaking. I think this is the first time I am having this call because of the unique circumstances, but of course, it is very important that I reach out to all the stakeholders and explain to them how INOX is preparing itself to get rid of the storm and come out stronger post this.

As Alok mentioned that over the past number of years INOX has always taken an extremely conservative approach to its balance sheet and I firmly believe that this approach is finally helping us during these stressful times. I would like to answer all of your questions, but I thought I will spend a few minutes going through some of the expected questions and giving you a statement on how we and what we are doing during this time. So, the first question that comes to mind is we are a 365-day business and it does not happen every day, there is potentially 40 days to 60 days of downtime in our business so we are in a way fortunate that we are utilizing this time as Alok mentioned to introspect and reengineer our entire process and cost structure. So, during this downtime what we have been focusing on is primarily three things, firstly is cost optimization, second is how do we prepare for the new normal once we open and the third is outreach to all our stakeholders and I will just take a minute on each of these items.

When it comes to our cost, we primarily have two large areas that we are focusing on right now, which is our rentals, which is our single biggest cost and the second is the balance of the fixed cost. When it comes to our rentals with the landlords I am sure everybody has already read in the press and in many other online statements that during this time of force majeure we are not going to pay any rentals or common area maintenance charges to any of our landlords and we have invoked the force majeure clause and by and large most of our landlords have been pretty supportive of us and I am sure they understand the situation. It is not just us in this it is also the entire retailers association of India, the restaurant association of India everybody is in the same boat and landlords understand that and they would not be very unreasonable.

When it comes to the post-opening of COVID, the majority of our rental contracts have minimum charges, but we are proposing to all our landlords that we are going to begin operations only on a revenue share basis. Once again there will be a bit of give-and-take, but I am pretty confident that all our partners, i.e. our landlords, understand that to convince patrons to come back to the malls we have to make the multiplexes operational in the mall and if the multiplexes bleed eventually we will shutdown. So, I am pretty confident that they will agree and we will start having rentals on a revenue share basis at least till the end of the year.



INOX Leisure Limited
April 30, 2020

The other part of our focus is on fixed cost reduction program. As part of our fixed cost we have employees, we have electricity charges and we have a task force in place, where we have mandated certain percentage cuts in our fixed cost plan so that we make our service leaner and stronger when we begin. For example, just on our operations front, when we initially begin our operations, we will start on single shift operation, may be starting at 12 noon to 9 pm or 3 pm to midnight, whatever suits all our customers and the mall owners and that will require reengineering of work structure at the operating site-level wherein we will be able to reduce headcount and to take care of the new normal.

During this downtime, we are trying to minimize our cash burn rate. Everybody understands that there is no cash inflow and we have to minimize the cash outflow, so currently our burn rate is in the range of about Rs.15 to Rs.18 Crores per month, this includes interest payments as well. We have deferred all our capital expenditure to the second half of FY2021, obviously, in the first six months there is not going to be any capex, so we have got all our ongoing screens under fit-outs, we will be completing them in FY2021.

Going forward the rest of the capex will be considered in FY2022 based on our free cash flow and our liquidity; however, our growth plan for the future is intact. We are spending considerable time with each department to reengineer the cost structure to be more competitive in the future, and we have taken a very stringent cash management process with all outgoing payments to be approved by senior management at this difficult time.

The second part of our focus area is in preparing for the new normal when we open, the typical question that comes is, how are you going to open, your hygiene standards?, etc., etc., so I would like to touch upon that, what are we going to do once we open up in terms of hygiene. I think most of us already know all the answers, we are going to encourage paperless transactions, we are going to check temperatures of employees, customers, vendors through non-invasive thermal guns, we are going to discuss allocation of seats whether that is leaving one seat, two seats, alternate rows which is yet to be decided, IT systems are there to do that, we will program our shows in a manner that we avoid simultaneous entry, exit and intermissions to minimize the crowding in our lobbies and restrooms obviously, we are going to have sanitizers everywhere, we are going to follow stringent cleaning and disinfecting procedures before opening and in between shows for all public areas, restrooms, etc., etc., this is just standard stuff that the airline/hotel industry is going to do, we are going to follow the same and more, we are going to wear masks, all our staffs are going to wear masks and gloves at all times to ensure that we would not spread COVID anymore. We are also going to create a rapid response team within each unit, who



INOX Leisure Limited
April 30, 2020

will monitor any employees who potentially have any infections and ensure that we follow all government norms and procedures on how to take care of that situation if it does happen.

We are spending a lot of time currently training our employees virtually during this downtime. And it has been very well appreciated by all our employees. Not everyone has access to a laptop but they have access to a mobile phone and this online training has been successful. We also have constant communication amongst the chief executive officer and all the senior management on internal brainstorming on how to win post covid19. We are constantly communicating with our patrons, informing them of what is going on through our social media platforms, through our WhatsApp chat groups, and so forth. We are also thinking about various marketing initiatives, to encourage patrons to visit our cinemas once it is open, so I will talk a little more about that as we move on.

The third part that we have focused on is our advocacy and government outreach and the outreach to various stakeholders amongst the value chain. So when it comes to talking to the central government, the state government, the local government whether it is through the MAI (Multiplex Association of India) or individually as INOX we have made representations to the Central Government, to all the industries, commerce, finance, we all realize that government support is going to be essential to help this large employer, (which is the media and entertainment sector) come back on its feet and I am confident that the government will come out with something and we are in constant touch with them and we have had a lot of positive dialogue with them as well.

Similarly, we are having conversations with various state governments to explain to them, clearly, we were the first industry to shut down in India and I think we will be the last to open up, and frankly, I think that is a good thing and I will explain later. We are talking to each of the state governments to explain to them what SOPs we are going to follow when they finally open up cinemas and then we are talking to our local district magistrates, etc., about similar things. We are also reaching out to our stakeholders in terms of our value chain, the producers, the distributors, content creators, just to get everybody's views on the future part of this industry.

Moving on as I mentioned earlier in terms of, we are going to do stuff to convince our customers to come back to the cinema. The first thing we have to do is communicate. We have to communicate and put rest to the fears that our customers may have in terms of hygiene and cleanliness. INOX is a brand that is known for the highest levels of quality and we will ensure that we remain at the top of the value chain. We are going to communicate aggressively and not only ourselves but through industry bodies as well to explain to customers all the steps that we are going to be taking in terms of SOPs to ensure cleanliness



INOX Leisure Limited
April 30, 2020

to the maximum extent possible. We are also going to support our content creators very aggressively to market their movies. That is a very important part of getting customers back, you have to market everything in life, and movies is no different. We are also going to promote our loyalty program very strongly and I will give attractive offers on tickets and food and beverage to our members to bring them back and one of the unique things we are going to do is promote private screening of movies, this is one of the newer concepts where we are going to come out with. There is a section of people who feel that they like to watch movies just with their friends and family and we will actively promote that as well with some unique offers.

The next question that comes to everybody's mind is how do we see the upcoming line of movies and how occupancy will show in FY2021 and 2022. As you know the shutdown in India was very sudden and there are at least 20 odd movies that are completely ready and waiting to be released and a lot of the big blockbusters whether it is 83 or whether it is Sooryavanshi or Gulabo Sitabo, Coolie No. 1 so on and so forth, these are some very large 100 plus Crores movies, which are lying ready to release. So typically before COVID, there would be a big fight between various movies for show timings and screen occupancy, well they would not have that challenge now and I think if I was the content creator I would take advantage of the post-COVID situation to be the first one of the block to take advantage of maximum screen count and showcasing to get the maximum audiences in the shortest period and I think contrary to popular belief there are going to be a lot of content creators who are just waiting to release their films and get this advantage of maximum showcasing of the movies to increase the box office collection. We believe that in the first two or three months there will be low occupancy of shows between 10% to 15% maybe, but then Indians are resilient and as I had mentioned before, cinemas being the last to open there is going to be 'n' number of SOPs that would have already come in, how does the person get to a cinema, they got to come either in a private car, not everybody comes in the private cars, they will come in taxies, busses, trains and other forms of public transportation. Whatever those forms of public transportation are going to follow in terms of SOPs we are only going to be better than that. So, I am confident that our customers will come back in a very short period. We think the lineup of films is very strong as we have seen from FY2019 and FY2020 the quality of content is only improving and the pipeline looks solid whether it is Hollywood whether it is Bollywood the pipeline looks solid.

The next question that comes to mind is, do we see any of these films going directly on OTT we believe some smaller budget films might release on OTT who do not have the financial power to hold on, but the big-budget films will come out to theatrical first. The entire ecosystem of the Indian film industry understands the strong fundamentals of the global cinema consumption chain, which begins with theatricals and which turns out to be



INOX Leisure Limited
April 30, 2020

the most value-generating medium. This is ahead of OTT and satellite. If a movie releases theatrically it has many more sources of revenue as compared to releasing directly on OTT. Also, it is a well-established fact that movies that have a robust theatrical run are the ones that come on the highest prices on OTT as well. The content creators have openly supported the release of the films on the big screen rather than going to OTT. Having said that there are a few films where the content creators have decided to go to OTT in such a situation the entire value chain of the cinema business including exhibitors cannot be fair-weather friends. Distributors and producers have to understand that we have coexisted for the past 100 years and I am sure we will coexist for another 100 years. So being fair-weather friends is not going to be appreciated.

In terms of the future capex I have already mentioned that our prediction is to do add 50 screens in FY2021 and we will be back to normal in FY2022 with 80 odd screens. In terms of our balance sheet and our cash and our ability to raise funds as of March 31, 2020 you will be happy to know that we were still a net debt-free company. We currently have about Rs.100 Crores in liquidity including undrawn limits and we are capable of raising a lot more debt at short notice, we have spoken to all the banks and they are ready to give us lines of credit. Our debt-equity ratio is extremely low and we have headroom to go up to 1:1 debt-equity ratio, which is in the range of about 700 Crores. So we are the strongest player in the entire media and entertainment sector with the strongest balance sheet to sustain in this storm. Also, there are two unique factors INOX has about approx. 4.3 million treasury shares, which can be liquidated immediately to get additional funding in the open market. We also own 6 of our multiplex properties, which can be monetized if required at the appropriate time and there has been significant interest in that as well. As I mentioned earlier our monthly cash burn is about Rs.15 to Rs.18 Crores so with our current funding that we have Rs.100 Crores we can withstand another six months of the shutdown, I do not think it will come to that, but we could if required.

In terms of our prediction for financials for FY2021 that everybody knows, I cannot speak about that, but we all intelligent people and I think instead of focusing on what is going to be EBITDA impact for FY2021 I think we should look at FY2022 and not bother about nitty-gritties of FY2021. In the midst of all of this, the INOX group has not forgotten our community, we have been extremely active, we understand the plight of people less fortunate, we understand the plight of our healthcare workers who are the front liners, we have strongly supported the Prime Minister with a large contribution to the PM CARES Fund. We have been supporting multiple state governments with their disaster relief funds to fight COVID. At the ground level we have been distributing meals to all the migrant laborers around the NCR region. One of the hardest things that we have had to see is the lack of PPE for our healthcare workers in the frontline and we have distributed an enormous



INOX Leisure Limited
April 30, 2020

number of PPE, which has been greatly appreciated in Mumbai by all the BMC and the various hospitals and the doctors as well. So, the INOX group is doing its bit during this time to support our community as well we cannot forget about them because without them we are nobody.

So just as quick closing remark, I would just like to say that this is the most challenging and unprecedented event faced by humanity both economically and from a healthcare perspective, but I think the speed at which the Governments globally have reacted to the situation both in terms of financially and in terms of lockdowns. I think we are going to come out far stronger after this lockdown period. As far as INOX, all I can say is we will be the strongest company post COVID to weather the storm, undoubtedly, and I am extremely confident. Also, I would like to take a minute to thank all our employees especially the senior management of INOX who have worked tirelessly during this period they have made very, very large sacrifices during this time to support the company and I am extremely grateful and thankful to them to see their energy, to see their passion during this time and I am in constant communication with them and it is very heartening, and I must sign off by saying that I have never seen INOX being as strong as it is today. I am proud of all my colleagues and I cannot wait to get started. So, thank you very much and I am looking forward to all your questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: I had a few questions. First on the OTT direct release situation that we are thinking about I want to understand beyond the economics of OTT versus theaters, which clearly now probably looks more attractive towards the direct release on OTT is there any relationships based like most that we have, which will probably prevent producers not going OTT route and maybe sticking with the theater even if it takes much longer and the uncertainty is much higher?

Siddharth Jain: Mr. Ghosh thank you for your questions, you said that OTT definitely looks better as a release I must disagree with that statement, I do not know if any of you guys have faced this, but I faced OTT fatigue during this time. I am ready to go out, and I will see a movie on the big screen and I have talked with quite a few of them as well. There are 1400 films released in a year in India, can you imagine them releasing on OTT at the same time like if you open your Netflix how many films actually show up on the front page, how much time is it going to take, imagine films releasing on OTT fighting for that opening page and getting space there to be actually seen, the funny part is that there is no revenue share



INOX Leisure Limited
April 30, 2020

formula in OTT, one gets paid up front. Now OTT can potentially pay Rs.100 Crores to a film, but companies cannot survive on free money, Netflix uses \$5 billion a year, if we have to compete with OTT platform spending \$5 billion a year maybe we need to go there and get 5 billion of funding ourselves and see what theatrical can do. So, it is unfair to compare theatrical to just one company who works on free money, that model would not sustain for longer, after some point even Paytm has stopped giving cashback offers, you cannot just keep bleeding cash, so you are going to see various other OTT platforms in India, which will not be able to pay this big dollar Rs.100 Crores all the time. I do not know how many of you have seen the AMC, CEOs release but is a fact this will be practiced in India as well, clearly, movies and studios have the right to go directly to release on OTT, but as I mentioned in my opening statements, we are not going to be fair-weather friends, they have to understand that this theatrical section has invested thousands and thousands of Crores to create this entire infrastructure to promote films and the filmmakers, just because they do not want to lose any money and are thinking to go to Netflix and Amazon who have got deep pockets and they are going to bail them out and they would not lose any money and that the theoretical industry will, then they are highly mistaken. We are not going to accept that and clearly those studios who decide to release one film on OTT and not in theaters will be dealt with accordingly. Coming to a film, Universal Studios commented that they are going to release OTT and theaters on the same day, they are sadly mistaken and Adam Aron, CEO of AMC has commented that they are not going to be showing any universal movies going forward with that kind of an approach. Windowing is an age old practice it has been around for more than 30 years and it will continue to be there for the long run. Everybody must respect each other's business models and when one party refuses to respect that there will be consequences, so I am not concerned about these people trying to make these odd statements on OTT, it is just that each segment has its own consumer base and own timing. A filmmaker and content creator earns more money by releasing first theatrically and then on OTT. He is not going to make the same amount of money if he is going to release only on OTT first.

Swagato Ghosh:

Fair, that is very helpful. So what I meant initially was that the OTT proposition looks better versus what it said six months back because now OTT is the only option in front of the producers, but yes I got my answer and secondly, I want to understand is when you said about the revenue share that you are requesting with the various landlords so is it fair to understand that the revenue share percentage can be a bit higher, but with no minimum guarantee is that the structure we are looking at?

Siddharth Jain:

Potentially, each will be different.



INOX Leisure Limited
April 30, 2020

Swagato Ghosh: But there can be a situation if our revenues pick up faster than that we are expecting we might end up paying actually higher rentals, but our downside will be protected?

Siddharth Jain: Absolutely.

Swagato Ghosh: Mr. Jain one other thing I just want to touch upon is our multiplex business will probably be the last one to start even if malls are permitted to start earlier, is there a chance our food business can set earlier than our theater business in some way online delivery or just in the form of a food court?

Siddharth Jain: While Mr. Ghosh it would not make a lot of sense, while we are on swiggy. I do not see higher volumes to pay for the cost. So I do not think that would happen, I think we would open both together.

Swagato Ghosh: I have a few more questions I will come back in the queue. Thanks a lot.

Moderator: Thank you. The next question is from the line of Vikram Kotak from Lansdowne. Please go ahead.

Vikram Kotak: Thank you Siddharth for a good informative, initial discussion. I have two questions, one is you talk about the treasury shares and the debt-free status of the company is good, in case you need to borrow for the expansion of the future requirement what will be the first in debt and up to what level and when the equity dilution will come from the treasury shares?

Siddharth Jain: Sure. A good question I think, we would go for debt first because at the current price that we are trading it does not make sense to dilute our equity. So clearly, we would go for debt. We have been a conservative company, which have always believed in 1:1 debt to EBITDA our trading 12-month EBITDA was in the range of I think Rs.400 Crores and I am talking about December 2019, but obviously, our EBITDA going forward would not be as much, so I do not have a firm number but in the south of Rs.400 Crores.

Vikram Kotak: The second question is on the line of the first question asked I think when you see the OTT it is all about OTT will take over the theatrical, but it is about the habit change in the mind of the consumer and you have to do a lot of work in really bringing back and to reattach the consumers because of the shock, nothing else, so it is an onetime shock in our lifetime, but do you think so any alternative model in the theatrical business like only not exhibiting movies but also for music shows or some award or some standup comedy or do you think so that is going to be a trend in some of the areas of your theater or a future expansion you think that is the model, which is going to also come in to play for people like you?



INOX Leisure Limited
April 30, 2020

Siddharth Jain: So Vikram great question. I think we at INOX have already been practicing this for a long time we are strong believers in alternate content and we are strong believers in utilizing our real estates in different forms. Now Indians are social animals we like to go out, so as I mentioned one of the things we are going to be promoting is private screening. So normally a person would think that 250 seats in a cinema, how am I going to take that as private screening, well we are going to come out with unique offers on that with packages to do so and it is just a habit-forming thing. Now as you rightly said there is a habit to watch things on OTT, this is my personal thing and not everybody else, I see it is more as a television series watching concept where you watch back to back series, if I miss a movie in the theatrical release I would not mind watching the movie on the OTT, this is just personal. But I feel OTT is more suited to those short-form releases than long-form releases and we love going out and it is a typical restaurant argument, and when it comes to alternate content as you may or may not know that INOX is the only chain that actually was the exclusive partner to exhibit cricket world cup last year and many other such shows, doing concert like BTS (Korean band) and so many other things, which are very successful actually. So, we will be promoting that more, but it all boils down to the social experience and INOX is focused on the experience economy where we have the three pillars that we stand on ie. luxury, technology, and service when those three pillars come together it is something that you cannot get at home and which is why we endeavor to provide that kind of experience to our customers.

Vikram Kotak: I am taking more time but I am a big fan of the live concerts and the play and I do not think Mumbai particularly has not more than three or four places like Shanmukhananda were we end up paying Rs.2000 or Rs.3000 for tickets and its always full, so I do not know it is a big model and the quality of concert is not so good, so I think that opportunity, which I think where you have the better quality actors, the better quality artists coming and presenting and I think people will be ready to pay and the live shows because live is what people want to see because as you rightly said activity is about where do you want to go and see.

Siddharth Jain: Right. We appreciate the comment Mr. Kotak and maybe we can always have a chat offline to get some more clear views.

Vikram Kotak: Absolutely, thank you so much.

Siddharth Jain: Thank you.

Moderator: Thank you. Next question is from the line of Harish Bihani from ICICI Prudential Asset Management Company. Please go ahead.



INOX Leisure Limited
April 30, 2020

- Harish Bihani:** You talked about monetization, so I did not get that exactly can you please help with that?
- Siddharth Jain:** Harish INOX is the only cinema chain in India to own some of its properties and that is usually mentioned in our investor presentation pack. We own about six of our properties apart from our offices as well and the properties that we own can be monetized on a sale and leaseback basis.
- Harish Bihani:** So, this is like kind of a worst-case scenario where you think about doing this?
- Siddharth Jain:** Yes, in terms of balance sheet strength and funding needs, not everybody owns real estate to get the funds.
- Harish Bihani:** In terms of M&A, now presuming things normalize in a couple of months and you talked about a certain mandate to EBITDA and there could be certain M&A opportunity, so how should one think about that?
- Siddharth Jain:** If there is any M&A I think it is going to be on equity front it is not going to be on debt nobody is going to have the capacity to do it, whether it is us or anybody else.
- Harish Bihani:** So, if I understood correctly if you there is an M&A opportunity you would want to dilute and then kind of look at it?
- Siddharth Jain:** That is right.
- Harish Bihani:** Thank you so much.
- Moderator:** We move to the next question next question from the line of Deepak Gupta from Reliance Nippon Life. Please go ahead.
- Deepak Gupta:** Just wanted some clarification of the 147 locations where INOX has its multiplexes if you could clarify how many properties where you have enabled force majeure and where vendors have not to be paid till the time the malls to be open?
- Siddharth Jain:** Deepak in all the properties each and every one of them.
- Deepak Gupta:** So, Mr. Siddharth when you mentioned the burn rates so that does not include any rental cost in that?
- Siddharth Jain:** No, it does not.



INOX Leisure Limited
April 30, 2020

- Deepak Gupta:** If you could just specify what is the gross debt as of March 31, 2020 for the country?
- Siddharth Jain:** I think debt net of cash was around Rs.110 Crores.
- Deepak Gupta:** The cash on the books is about Rs.100 Crores with treasury?
- Siddharth Jain:** With the treasury and the cash it is north of that.
- Deepak Gupta:** Okay great. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Sameer Raj from Nippon India Asset Management. Please go ahead.
- Sameer Raj:** In your opening remarks you mentioned that FY2022 could be a normal year, but my worry is that the spending power of consumers due to the economic impact of this shutdown is expected to be huge, so one their ability to spend and second is the willingness to spend, so do you expect average revenue per ticket to come down and secondly as we follow social distancing norms and we have alternate seating arrangements and all that kind of things so how does that change the unit economics of this entire business?
- Siddharth Jain:** Sure, thanks Sameer. So, some good questions there, when it comes to average ticket price clearly, we are going to have to give offers to our customers to come back to the cinema so undoubtedly in FY2021 we are going to reduce our ticket prices to a certain extent to bring back customers. FY2022 is just too far away to predict what is going to happen to the ticket prices at that point. When it comes to alternate seating and what is going to be the impact of that I must believe that this is not going to last that long, I think everybody needs to remember one thing that the day there is a medicine or a vaccine we are back to normal and everybody is predicting that is 12 months. so look at the stock market right you guys in the stock market, like it seems to have gone up by 40% in the past like a couple of weeks, look at the US stock market despite oil prices, it continues to rise every day it is sentiment-based, everybody is sentiment-based that there is going to be a cure and the world is not going to come to an end. So, if the world is not going to come to an end then I do not really want to worry so much about this, as it is short-term pain, the long-term normalcy has to come back. When it comes to consumer spending in this year or next year clearly you can argue this in either direction, depends on how much money you pay me a large amount in either direction right, so I can argue that consumer spending will come back and there will be no impact because they are saving a lot of money during this downtime and spending habits will be there, so they will be raging to spend money in FY2022 or I could argue that no people are going to lose their jobs and unemployment would be very high and they are not



*INOX Leisure Limited
April 30, 2020*

going to happen so either way Sameer it is more of the looking at the glass half full or half empty and I look at it half full.

Sameer Raj: My other question was when say this lockdown starts lifting slowly so when the producers of the movie they may not be sure whether the customers would be willing to come to the movie theater and all, so instead of they are rushing to release that they would want to wait and see how customers are evolving, so it is going to be like a chicken and egg kind of situation to start with?

Siddharth Jain: You are absolutely right Sameer it is going to be chicken and egg and that is something that I touched upon in my opening remarks that is my belief. Typically, in the pre-COVID season, there would be a huge spike we have no idea the kind of pressure we would be under from various producers and film stars to give them more showcasing of their films because of so many films. The 1400 films being released in India INOX itself shows ~1150 titles per year, which is 20 unique titles per week, you imagine if 20 films are fighting for cinema space every Friday how we are supposed to give them showcasing, so contrary to popular belief I think we are going to have some gutsy individuals out there who are saying let us take advantage of the situation, let us be the first guy off the block to get maximum showcasing.

Sameer Raj: Lastly from my side initially while there is uncertainty is there any scope for renegotiation of share what producers get and what theater gets?

Siddharth Jain: I am not sure, let us see how they behave on OTT; their behavior on OTT will decide that.

Sameer Raj: Yes sir. Thanks for taking my questions.

Moderator: Thank you. Next question is from the line of Ranjithgopal from HSBC Asset Management. Please go ahead.

Ranjithgopal: I had a question regarding the consolidation dynamics in the industry so this is huge destruction for the industry and even before this destruction we have seen clearly consolidation happening more towards the multiplex operators and within that, the larger two operators gaining share so in this context and given that our balance sheet strength is not something, which is there across the industry clearly even number three and number four players and five players in the multiplex industries are highly leveraged, so how do you think the industry dynamics will work out maybe six months down the line, nine months down the line would you think if there would be more consolidation or post exits in the



INOX Leisure Limited
April 30, 2020

industry single screens would still see that, but even within multiplex industry would you think such a scenario can play out?

Siddharth Jain: Ranjith thanks for your question, you are absolutely right some people will not be able to service their debt and the interest going forward and there will be times where they might default on their rental obligations as well, which will potentially throw up some properties for M&A. Two things can happen either they can be stubborn and not do a deal or they would not be able to pay the rental obligations and those properties will come out to the market and another operator will be able to bid for it. So, in either way we will be standing ready with our balance sheet, if we believe that it reaches to our EPS then we will take the M&A call and if not then we will just drop the idea.

Siddharth Jain: Sure. Thank you so much.

Moderator: Thank you. Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir just on the previous question on the single screen side how much of reduction possibly do you see in the single screen it is my first question?

Siddharth Jain: Very, very hard to say, but I do not predict a big reduction in single screens, mostly standalone owners do not have rental obligations, they own properties, so their fixed cost is the least amongst all of us, I do not think single screens are going to go because the fixed cost structure is pretty low.

Pritesh Chheda: Second question on the rental part, so in your revised revenue share what kind of revenue percentage can we expect in terms of rental and how will it change versus the pre-COVID era as a percentage of revenue?

Siddharth Jain: So clearly whatever we negotiate will be less than pre-COVID era, because what is our aim? so earlier my revenue was Rs.100 and I was paying Rs.20 as rent and if my revenue is going to come down to Rs.70 from Rs.100 then I cant keep paying Rs.20 as rent. I am going to pay lesser, whether is it Rs14, Rs.13 or Rs/10 because my other fixed cost structure remains there so it is definitely going to be a much lesser percentage I do not know what that number is to be honest.

Pritesh Chheda: My last question is on the content side what kind of content do we have let us say what is the pipeline of content possible and availability possible is it a six-month content available or a 12-month content available which is ready or any thought process there because even content guys would be going to this post COVID norms and all to make it?



INOX Leisure Limited
April 30, 2020

- Siddharth Jain:** Between regional, Hollywood and Bollywood there are at least three months of content ready, but some of them for example Bond was supposed to release in April now he has moved it to November, but three months is a no brainer there is definitely three months of content ready to start.
- Pritesh Chheda:** So, what happens, in this case, the theaters will actually play the older content?
- Siddharth Jain:** No, I am sure the content will get ready in that much period of time yes, and if people start coming to the cinema and people will start shooting films as well.
- Pritesh Chheda:** Okay this was helpful Sir. Thank you very much.
- Moderator:** Thank you. Next question is from the line of Nikunj Gala from Principal Mutual Fund. Please go ahead.
- Nikunj Gala:** Sir my question is more in terms of penetration, which we can still go from here on, so just in our article the numbers which we see in the most of the media articles that we have approximately 10000 screens and of which 3000 would be multiplex would that be a good number according to you?
- Siddharth Jain:** Nikunj India has the least amount of cinema penetration almost in the world we have only 8 screens per million, which is abysmal whereas China has got ~50 screens per million so we have such a long way to go. 3000 multiplex screens is a joke compared to what we actually need. The long-term feasibility of this business is very strong, we keep receiving comments from people all over India continuously asking us when are you opening a cinema in our city, the demand for a quality cinema watching experience is very much there and there are just too many untapped markets in the country so the penetration is too low and we have got a long way to go.
- Nikunj Gala:** Thanks a lot Sir. Thanks for answering.
- Moderator:** Thank you. Next question is from the line of Nihar Shah from New Mark Capital. Please go ahead.
- Nihar Shah:** Just a couple of questions from my side the first being one of the areas in terms of your revenue model that we have not touched upon is advertising so if can you just throw some light on if you had any discussion with advertisers how do you see that revenue trending once the multiplex is start?



INOX Leisure Limited
April 30, 2020

Siddharth Jain: Definitely advertising has been the heaviest hit industry, if you look at all the television channels their revenues are down by 75%, in fact newspapers are also down by 75% currently. I think when we start, cinemas are going to be abysmally low as well, it is going to take time for advertisers to get convinced to have the free cash flow to spend on marketing initiatives because clearly a lot of companies are going to be stressed. So, I think FY2021 is not something that I would like to focus on, I think by FY2022, we will be back to normal, but FY2021 is going to take a major hit, I cannot give you a number but clearly it is going to be close to a disaster.

Nihar Shah: The second question just sort of approaching on this point, we get a lot of conflicting point of views on the whole rental force majeure so when you talk to some of the real estate guys they say that, that is largely limited to only physical damage kind of areas and obviously there is some element of bargaining power that the multiplexes and the mall owners and operators have, so do you think that this not paying any rental at all during the shutdown period is a realistic scenario that we should be comfortable about or do you believe that there might be some pull and push within that as well especially as it relates maybe to some CAM charges because some of these guys still have to pay their operating expenses for their employees?

Siddharth Jain: There isn't an iota of doubt in my mind that when we have a government order to shut down your cinema on a nationwide basis it is nothing but force majeure. So, if anybody thinks there needs to be physical damage I think they are referring more to insurance policies. Insurance policies have that clause of physical damage not clauses of force majeure between two parties and in all our force majeure clauses government action has already been included so I am sure they will try, good luck to them they will be wasting their money with the lawyers, but now when it comes to your question on CAM charges if they have employees we have employees as well. The most fundamental factor in this global pandemic is everybody needs to bear brunt of this cost, you cannot transfer the cost only to one party. So if I have debt and interest, I am paying for it I do not have any revenue. I have my fixed cost I am paying for it, in terms of employees, etc., similarly a mall owner, he may have debt he may not have debt, for the one who does not have debt good luck to him, for the one who has debt he has to pay the interest just the way cinema operators have to pay the interest, he has employees, guess what, we have employees as well. So, he does not have revenues from cinemas just the way we do not have revenues from our patrons, so it is a whole value chain. I think it is a useless debating and people will do it just to waste their energy.



INOX Leisure Limited
April 30, 2020

- Nihar Shah:** Got it, may be just another sort of cost line item where we all also would work with a lot of these outsource staffing agency, how are you all dealing with them at this point of time for sort of the employee cost that you might have at properties itself?
- Siddharth Jain:** So we have contracts with these people which expires on a specified date and it just so happens that some of them have expired on March 31, 2020. These are contractual arrangements we have with them, so the ones that have expired we did not renew and for the active ones, as per the contract we have paid them for 30 days of the notice period and ended our contracts with them.
- Nihar Shah:** Got it, great. Thank you, that is all from my side and good luck in this tough time.
- Moderator:** Thank you. Next question is from the line of Ashish Kacholia from Lucky Investments. Please go ahead.
- Ashish Kacholia:** I am a big fan of movies and of INOX particularly. So, my question really is how are you going to give patrons the confidence of coming back into the theater it is a close space with the transmission kind of a concept so what are the protocols that you are kind of thinking about?
- Siddharth Jain:** Ashish basically I mentioned this in my opening remarks that I am now going to repeat it. There is a whole laundry list of things temperatures, disinfecting audis between each show, 100 things, which we can share with you offline. As I mentioned cinemas are going to be the last place to open, you do not understand how lucky we are because every common place in the world is going to open before us. How does a person get to the cinema he has to come in a taxi or a train or a bus or their own car, he has to go through many other common places before he enters our cinema. If our consumer can go through all those steps then we are least of the worry, there are so many other common touchpoints before they reach the cinema. By that time we would have learned all the SOPs, etc., that everybody is using and which one works best in the eyes of the consumer, and we are going to aggressively communicate with them to explain all the hygiene standards that we are adopting to get them back. So it is least of my concern, to get them back on a hygiene perspective and from a question of droplets in closed places, if that is true then none of us are going to step out of the house for the next six months, it can happen in our offices, look at the offices we do not have social distancing here what is going to happen in three feet if the droplets are in the air, three feet, six feet is nothing and that means wherever you walk you have to wear a mask 24x7 that is not practical that is not the way life works so there is going to be some other solutions. I do not know what it is, is it fogging to do between shows?, is it spraying disinfectants between each shows? we will see, there will be a solution as usual.



INOX Leisure Limited
April 30, 2020

- Ashish Kacholia:** Right. All the very best. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Rahul Arora for his closing comments.
- Rahul Arora:** Thanks, Mallika. Thank you so much Siddharth, Alok and Kailash for taking time out to do this call. I think it has been very informative, points very well made and very well received and on behalf of all the investors and my company I wish you all the very best in these trying times and hope we come out stronger on the other side.
- Siddharth Jain:** Yes, and thanks to Rahul. I would also like to add that I would really like to thank everybody who is on this call for taking interest in our company and coming out to attend this call and for everybody that after this lockdown we will come out stronger, smarter and absolutely battle-hardened. I wish all of you and your families all the very best, stay safe and stay at home. Thank you.
- Alok Tandon:** Thank you everybody. Thank you, Rahul, and thank you to everybody else for dialing into this call we greatly appreciate your interest and your time. I look forward to seeing you on the other side.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Nirmal Bang Equities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.