8th November, 2019

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 Wednesday, 23rd October, 2019.

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 LTD.
5th Floor, Viraj Towers, Next to Andheri Flyover, Western Express Highway, Andheri (East), Mumbai 400 093, India.
Tel (91 22) 4062 6900 • Fax : (91 22) 4062 6999 • E: contact@inoxmovies.com • www.inoxmovies.com

Registered Office : ABS Towers, Old Padra Road, Vadodara 390 007 • Tel (91 265) 6198111 • Fax (91 265) 2310312 • CIN: L92199GJ1999PLC044045

"INOX Leisure Limited
Q2 FY2020 Earnings Conference Call"

October 23, 2019

ANALYST:	**MR. URMIL SHAH – IDBI CAPITAL MARKETS & SECURITIES**
MANAGEMENT:	**MR. ALOK TANDON – CHIEF EXECUTIVE OFFICER - INOX LEISURE LIMITED** **MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER - INOX LEISURE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the INOX Leisure Q2 FY2020 earnings conference call hosted by IDBI Capital Markets & Securities. 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 the conference over to Mr. Urmil Shah from IDBI Capital. Thank you and over to you Sir!

Urmil Shah: Thank you Tanvi. Good evening everyone. On behalf of IDBI Capital, I welcome you all to INOX Leisure Limited's post earnings con-call for the quarter ended September 2019. As always, on the call from the senior management of the company, we have Mr. Alok Tandon, CEO, INOX Leisure Ltd.; and Mr. Kailash B Gupta, CFO, INOX Leisure Ltd.. We will start the call with opening remarks from Mr. Alok Tandon, and then we will open up for Q&A. Over to you, Alok Sir.

Alok Tandon: Hi, everyone. I am Alok Tandon speaking, and thank you very much, Urmil. On behalf of management of INOX Leisure Ltd., I would like to wish you a very good evening and extend a very warm welcome to all the participants on this call. I am happy to inform you that the Board of Directors have approved the quarterly results of Q2 FY2020. The results have been uploaded on the website of the stock exchanges as well as on the website of the company. Along with the results, we have also uploaded an earnings presentation.

On this call, we would like to walk you through some of the significant financial and operating parameters as contained in our presentation and of course, after that we will open it to any questions that you may have.

Let me take you through some of our achievements of Q2 FY2020. We have had the highest footfall growth in the industry of 39% in Q2 FY2020. We have had the highest occupancy growth in industry of 589 BPS. We have had the highest revenue growth in the industry of 42%. We have had the highest EBITDA growth in the industry of 121%, and we have also had the highest PAT growth in the industry of 327% in Q2 FY2020. For the trailing 12 months, we have had the highest EBITDA to capital invested ratio of 27%, and we are the first national chain in the industry to be net debt free. When we look at the first 6 months of this financial year, we again have the highest footfall growth in the industry of 24%. We have had the highest revenue growth in the industry of 30%. We have had the highest EBITDA growth in the industry of 48% and also the highest PAT growth of 89% in H1 FY2020 in the industry.

Looking at some of the financial results and highlights of Q2. For the first half of FY2020,. We are doing a Y-on-Y comparison, which is Q2 FY2020 is being compared to Q2 FY2019 and H1 FY2020 is being compared to H1 FY2019. For the quarter, the total revenue went up by 42% from Rs.369 Crores in Q2 FY2019 to Rs.524 Crores in Q2 FY2020. EBITDA increased by 121% from Rs.49 Crores in Q2 FY2019 to Rs.107 Crores in Q2 FY2020. EBITDA margin has improved from 13% to 20% in Q2 FY2020. PAT increased from Rs.12 Crores to Rs.51 Crores in Q2 FY2020 and that is an increase of 327%. PAT margin, therefore, increased from 3% in Q2 FY2019 to 10% in Q2 FY2020. These were the numbers for the first quarter.

For the first half of the year, total revenue went up by 30% from Rs.787 Crores to Rs.1020 Crores. EBITDA improved by 48% from Rs.135 Crores to Rs.199 Crores in H1 FY2020. EBITDA margin too improved from 17% in H1 FY2019 to 20% in H1 FY2020. PAT improved by 89% from Rs.49 Crores to Rs.92 Crores in H1 FY2020 and PAT margin too improved from 6% in H1 FY2019 to 9% in H1 FY2020.

Now let us look at the breakup of various revenues. We all know that our revenues comprise of four key streams, net box office, net food and beverage, advertisement and other revenues. For the quarter, the net box office figures went up from Rs.206 Crores to Rs.311 Crores in Q2 FY2020 that is a growth of 51%. F&B revenues went up from Rs.95 Crores to Rs.141 Crores, which is a growth of 48%. Advertising income went up from Rs.38 Crores in Q2 FY2019 to Rs.40 Crores in Q2 FY2020 that is a growth of 5%. Other revenues, they went up from Rs.30 Crores to Rs.33 Crores, which is a growth of 9%, and as a result of which the total revenues went up to Rs.524 Crores in Q2FY2020 from Rs.369 Crores in Q2 FY2019.

The figures for the first half of the year are as follows. Revenues from net box office went up from Rs.448 Crores in H1 FY2019 to Rs.598 Crores inH1 FY2020 that is a growth of 33%. F&B revenues went up from Rs.206 Crores to Rs.273 Crores, which is a growth of 32%. Advertising income went up from Rs.78 Crores to Rs.87 Crores in H1 FY2020, which is a growth of 11% and other revenues went up from Rs.54 Crores to Rs.62 Crores, which is a growth of 14%, and as a result of which, total revenues went up from Rs.787 Crores in H1 FY2019 to about Rs.1020 Crores in H1 FY2020. For Q2 FY2020, the net box office revenues comprised 59.3% of our total revenues; F&B comprised 26.8%; advertising 7.6%; and other operating revenues 6.2% of our total revenues for the quarter.

For H1 FY2020, net box office revenues comprised 58.6% of our total revenues; F&B comprises 26.8%; advertising, 8.5%; and other operating revenues comprised 6.1% of our total revenues. This performance was largely on the back of some significant releases that happened in the last quarter. These included Mission Mangal, where we had footfall of Rs.19 lakhs and a gross box office collection, which is GBOC, of Rs.42 Crores. Lion King had footfalls of 16 lakhs and a GBOC of Rs.36 Crores. Super 30 had footfalls of 17 lakhs and a GBOC of Rs.32 Crores. Chhichhore had 16 lakhs of footfalls and Rs.32 Crores of GBOC, and Saaho did 15 lakhs footfalls and GBOC of Rs.30 Crores. The top 5 films for the quarter, therefore, accounted for about 84 lakhs of footfall, that is 44% of the quarterly footfalls, and GBOC of Rs.172 Crores, which is 46% of the quarterly GBOC as compared to last year, Q2 FY2019, the top 5 films did 45% of footfalls and 47% of GBOC.

Now coming to some operational parameters behind the financial numbers, which I have just discussed. Overall footfalls improved from 137 lakhs in Q2 FY2019 to 190 lakhs in Q2 FY2020 that is an increase of 39%. Occupancies also improved to 30% in Q2 FY2020 from 25% in Q2 FY2019. For the first half, the footfalls improved from 293 lakhs in H1 FY2019 to 363 lakhs in H1 FY2020. Occupancies also increased to 30% as compared to 27% in the first half of last year. On comparable property basis, footfalls for the quarter went up from 132 lakhs in Q2 FY2019 to 161 lakhs in Q2 FY2020 that is a growth of about 22%. Occupancies too went up from 24% to 30% in Q2 FY2020 on the same-store basis and for the first half of the year, footfalls went up by 7% from 282 lakhs to 301 lakhs for the first six months. Occupancies too increased from 27% to 29% in H1 FY2020.

Overall, average ticket price went up marginally from Rs.195 to Rs.196 in Q2 FY2020, that is about a 0.4% growth. For the first half, it has remained stable at Rs.197. For comparable properties, the average ticket price has decreased from Rs.197 to Rs.195 in Q2 FY2020, and that is a decline of approximately 1%, and to Rs.195 in H1 FY2020 from Rs.197 for the same period last year, which is also a decline of approximately 1%.

The second component of the revenue is Food and Beverage. There we are seeing the gross spend per head going up by 7% from Rs.73 to Rs.79 in Q2 FY2020. For the first half, it went up by 6% from Rs.75 to Rs.80. Comparable spend per head has gone up by 6% to Rs.78 from Rs.74 in Q2 FY2020 and for the first half, it went up by 5% from Rs.75 in H1 FY2019 to Rs.78 in H1 FY2020. The net contribution has improved from 73.3% to 75.5% in Q2 FY2020 and from 74.5% in H1 FY2019 to 75.2% in H1 FY2020.

We continue to maintain the momentum of growth where advertising income is concerned, and this increased in the quarter from Rs.38 Crores to Rs.40 Crores in Q2 FY2020, which is a growth of 5%. For first half of the year, advertising income improved by 11% to Rs.87 Crores from Rs.78 Crores, which was in the corresponding period compared to last year. Other revenue increased from Rs.30 Crores in Q2 FY2019 to Rs.33 Crores in Q2 FY2020 that is a growth of 9%. The other revenue increased by 14% from Rs.54 Crores in H1 FY2019 to Rs.62 Crores in H1 FY2020.

If we look at the film distributor share, the film distributor share as a ratio of net box office collection went down from 44.7% in Q2 FY2019 to 43.5% in Q2 FY2020 and for the first half, from 44.4% in H1 FY2019, it went down to 43.7% in H1 FY2020. As far as other overheads per operating screen are concerned, these went up from Rs.41.7 lakhs per quarter per screen to Rs.43.1 lakhs per quarter per screen in Q2 FY2020, and this is an increase of 3% for the quarter. For the first half, Rs.84.1 lakhs in H1 FY2019 went up to Rs.87.1 lakhs in H1 FY2020, which is an increase of 3.6%.

Coming to the properties that we have opened in the last three months and in this financial year. We have opened in this quarter two properties with 6 screens and 1,515 seats, and the properties we opened in this quarter were 3 screens in Lucknow Umrao Mall, and we also opened another 3 screens in Jalandhar Reliance with 862 seats. As a result of these openings, we today are operational in 19 states, 68 cities, we have 144 operational properties and 598 screens with 140,244 seats. We expect to open 9 more properties with 44 more screens with 7,300 seats during the remaining financial year of 2020. Beyond this, we have a strong visibility of properties based on agreements already signed. We have properties tied up to the extent of about 914 screens, 136 properties and 16,8017 seats and once this pipeline is fully implemented, we will be about 289 properties, 1,556 screens and about 315,561 seats strong.

As far as the content is concerned, we expect some good releases to happen in the remaining part of October, this quarter and earlier next year. This month, we have Housefull 4, we have Bala, Marjaavaan and Pagalpanti and that is in November and December also looks very exciting with Panipat, Mardaani 2, Dabangg 3 and Good Newwz.

In terms of the shareholding structure, FIIs own about 12.08% of the company and DIIs own about 21.02%. We have treasury shares of 4.23% and the public owns 10.78%. The share price currently is about Rs.354, which gives us a market cap of roughly Rs.3642 Crores.

This, ladies and gentlemen, was a brief snapshot of our financial and operating parameters. I would now like to open this up for any questions that you might have.

Moderator: Thank you. The first question is from the line of Abneesh Roy from Edelweiss Securities. Please go ahead.

Abneesh Roy: Hi Sir, congrats and extremely good set of numbers. My first question is, in terms of screen openings, it seems a bit low at around 27 screens in first half. In the presentation, I can see 44 screens in H2. Does it mean around 71 screens is the target? And how confident are you on the 44 screens, considering 27 in the first half?

Alok Tandon: Well, Abneesh, just to answer your question, as we said, we have already opened 27 screens till now and yes, we opened only 6 in this quarter, which you are talking about. It all depends on permissions and licenses of various properties, not that we are not ready with the properties. We are totally ready with a few of our properties and just waiting for licenses to fall into place, and we will be ready to open them and as I said in my presentation that we have another 44 screens to open, which we are quite confident that we will be able to open by March 31, 2020, taking our tally to 71 screens for the entire financial year. So talking about the numbers, we are hopeful that we will get the licenses because the work is nearly complete and we should be able to open these screens and properties.

Abneesh Roy: Sir, related question, I think, most investors have liquidity pressure, which most developers and financial institutions are facing. In that context, how is the visibility and FY2022, more importantly? Because I think FY2021 a lot of the mall development will be in the final stages, but FY2022, based on your understanding, can that be a dampener in terms of screen openings?

Alok Tandon: Not as of now, because I know that some work has also started in the properties, which we will open in 2022, so you are right that 2021 openings, we have already got permission, the work is on its way. We are doing work everywhere. But 2022 also we have started doing work. The malls which we are supposed to get hand over of in late 2021, for 2022 opening, the work is going on, and I do not see any problem over there.

Abneesh Roy: Sir, my second question is on advertising. When I see HUL, they have spent very aggressively on advertising in a very slow demand environment, and they are the bellwether. And when I see the other multiplex, they have seen a 15%, 16% ad revenue growth. In your case, yes, it is still a growth in challenging times but screen openings have happened for you. So in that context, a 5% number looks a bit on the lower side. Is there any one-off here because of base? Or there was some issue with any advertisers so this could recover back to the industry-leading growth in coming quarters?

Alok Tandon: Well, there was an economic slowdown, and people just pulled back from advertising and when you talk about competition, it is because they acquired another chain and when you add up, yes, it is coming to 15%. But when I look at INOX, we have had a few advertisers, a few verticals who did not advertise because of the slowdown and I do not see this as a long-run issue. It is something which was there for a quarter, a blip, and I feel that this will be overcome in the next couple of quarters, where we will be talking about growth in advertising income.

Abneesh Roy: Sir, those advertisers, which did not were from the typical auto, real estate, those kind? Or if you could elaborate there?

Alok Tandon: No, absolutely right. They were autos, they were real estates, BFSIs. So those were people who just, I would say, tightened their strings, nothing else.

Abneesh Roy: And Sir, last question, any plans to sell some of your signature products through Swiggy, Zomato, F&B? Any plans on that because maybe some of the other players are planning that?

Alok Tandon: Yes. We are looking at it, and we will be shortly talking about our entire new initiatives.

Abneesh Roy: Thank you. That is all from Sir.

Moderator: Thank you. The next question is from the line of Darpan Thakkar from HSBC. Please go ahead.

Darpan Thakkar: Congrats for the good result. So on ad revenue growth, again, 5% for this quarter. Do you see for the full year it will come back for the second half in double-digit growth?

Alok Tandon: Darpan, could you repeat your question, please?

Darpan Thakkar: My question is, for this quarter, it is 5%, which is very low compared to what we have done historically. So in the second half of the year, do you see this growth going back to double digit?

Alok Tandon: Yes, absolutely. We are looking at a double-digit growth and as I have just earlier said, this is just a blip, and we are very hopeful that we will come back on track.

Darpan Thakkar: Okay. And what will be the same-screen comparable properties ad revenue growth for this quarter?

Alok Tandon: Well, I would not like to talk about the same-screen growth. But we know overall, it is a 5% growth for this Q2 FY2020.

Darpan Thakkar: Okay. And what will be the total capex for the year? So I mean, as per some media reports, Rs.50 Crores, Rs.60 Crores was spent recently in Inorbit Mall property. So what will be the total capex for this year?

Kailash Gupta: So Darpan, we are looking for around Rs.250 Crores in overall capex for this financial year, which includes the 71 new screens. In the first half, we have invested around Rs.100 Crores and we are looking for Rs.150 Crores in the next half, I mean H2.

Darpan Thakkar: Okay Sir thank you.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thank you for the opportunity so if we go back a few quarters, I mean, in the second half of FY2018 and the first half of FY2019, we were seeing that F&B spend per head was growing in double digits and what we have seen over the last 3 to 4 quarters that the growth is more like about 7% average for the last 4 quarters. So going ahead, I mean, what sort of expectation we can build? I mean, is it the 6%, 7% a new normal or there is scope for increasing it further?

Alok Tandon: Well, there is a scope to increase it further. We all are working to ensure that our SPH goes up quarter-on-quarter. And I would say, it will be 9% to 10% growth, which we are looking at going ahead, and that is something which we all are working towards.

Yogesh Kirve: Okay. Secondly, just more of a confirmation. So has there been any revision in any lease accounting related any assumption for estimate?

Kailash Gupta: No. Yogesh, this is the same, which we have mentioned in the Q1. Nothing has changed in Q2.

Yogesh Kirve: Right, Sir. And Sir, in terms of the margins, I mean, do we see any levers in terms of the cost spent or the efficiencies? I understand the will be operating leverage related to some of the revenues. But what sort of an EBITDA margin can we build going ahead?

Alok Tandon: Well, we always endeavor to increase our EBITDA margins. And this time, it is at 20% for the Q2 as well as for the entire half year. Well, this is something which we want to achieve quarter-on-quarter and more the better. So today, I will not be able to tell you the margins that we are looking at. But yes, definitely, we want to increase this margin in the coming quarters. And that is for any company that the EBITDA margins have to go up. So we all are working towards this entire exercise to ensure that we have good top line and good EBITDA number and a great PAT number as well as the margins.

Yogesh Kirve: All right. So we see that there is room for expansion, right, even from these levels. I mean, I understand this quarter was very strong in terms of the footfalls and occupancies. But there is room for improvement from these levels as well?

Alok Tandon: Absolutely right.

Yogesh Kirve: Sure Sir that is all from me. All the best and congrats on great numbers.

Moderator: Thank you. The next question is from the line of Jinish Joshi from Prabhudas Lilladher. Please go ahead.

Jinish Joshi: Yes a couple of questions from my side. I understand that recently we refurbished our property at Inorbit Mall, Malad so what I want to know is that, how are the initial trends shaping up in terms of ATP, SPH and occupancy? And lastly, is there any plan to kind of launch more such megaplexes in future?

Alok Tandon: Yes. We have plans. We will be opening the next megaplex in Lucknow soon, and take it to other cities also. And you talked about increase in ATP and SPH, we just launched the property, we are getting good reviews, we have seen that the occupancy has improved and also the various formats which we have, because, as you know, it is the world's only cinema with a maximum number of formats. We have seen that people are coming to watch a movie in different formats, whether it is MX4D, whether it is Insignia, whether the LED projection or ScreenX, which we are the first one to launch in India. So we have seen that people are coming, liking the experience. And we will be able to talk about ATP or SPH, maybe it is too early to talk about it. But in the last couple of weeks, we have surely seen that our footfalls and occupancies have increased in this property.

Jinish Joshi: Okay, Sir. And Sir, I understand that OTT and cinema viewing can coexist together. But have we undertaken any kind of a study to understand the viewing trends on OTT? I mean, what type of content is typically consumed over there? Is it sports, originals or movies? I mean, if you can share any operating data on that front, it will be really helpful.

Alok Tandon: Well, we all know and you rightly said that the content consumed on OTT is totally different than that consumed in a cinema hall. On a cinema, you have movies, which are there. And a true connoisseur for movie has already seen it before it hits an OTT platform. And globally, there are windows, which have got a time lag between a movie hitting an OTT and it coming on a screen. The content consumed, I would say, OTTs are more web series I would say, various other documentaries which are shown. It is not a movie. There are very few movie people who watch a movie on an OTT. So going forward, the trend would continue. And that, I would say, is benefiting everybody because the content, which is on OTT is very sleekly made. And today also, the people who are creating content for our cinema screens have literally come of age, and we have got some true world-class moviemakers in India. So the content, I would say that they are competing with each other in terms of content, they want to better each other, that is one. And number two, the content consumed is totally different.

Jinish Joshi: Okay. Sir, one last question. I mean, the film distributor share has declined to about 43.5% during the quarter so is it because the movies have run for a longer duration? Or is there something more to it?

Alok Tandon: Yes. Movies have run for a longer duration. If you look at the movies, which we had in Q2 FY2020, Mission Mangal, The Lion King, Super 30, Chhichhore, Saaho, so these all had long runs at the box office. And because of that, the distributor share has marginally come down.

Jinish Joshi: Okay Sir that answers my question. Thanks a lot.

Moderator: Thank you. The next question is from the line of Abhishek Joshi from CGS-CIMB. Please go ahead.

Abhishek Joshi: Do we have any specific strategy about the premiumization of our screens, like what percentage of total screen should be in the premium category? And is there any specific strategy to premiumize the existing screens or a particular Capex allocated each year going forward in 2 to 3 years?

Alok Tandon: Well, Abhishek, if you look at our premium screens today and no better thing to talk about rather than what we opened in Malad, the megaplex, where we have got 6 different formats, and all of them are premium, whether it is an Insignia, whether it is a ScreenX or MX4D, LED, IMAX, these are all premium screens. And today if I count, we have around 52, give or take, premium screens in the country out of 598.. Going forward, we will have premium screens, but it all depends on where we are opening a multiplex. And it will depend on the cost structure, the property and paying propensity of the people over there. And also the genre, the languages works out there. So today, sitting here, I cannot tell you that how many more premium screens we will be opening, but we will be opening for sure. And more or less in the same percentage, in the same ratio as we have today.

Abhishek Joshi: Sir, another question was, how many screens do we have in Tier 2 and Tier 3 cities? And how much does the revenue metrics differ from the average revenue metrics in these kinds of Tier 2 to Tier 3 cities?

Alok Tandon: Well, if you talk about revenue metrics yes, surely ATP is less, SPH is less. But then even our Capex is less for those properties. A few things we do not compromise on is the projection and sound, the acoustics, the firefighting and the cleanliness of the toilet. So these things we do not compromise on whether we are in a metro or a Tier 4. But otherwise, because of the Capex investment, we have a less ATP and a less SPH. But returns, I would say, more or less is the same whether it is a metro or a Tier 4 city, that does not change.

Abhishek Joshi: Sir, what percentage of screens do we have in Tier 2, Tier 3 and Tier 4 cities right now?

Alok Tandon: Well, well, if I count in a metro and a Tier 1, we should be having about 55% to 60% of our screens in metros and Tier 1 and remaining spread across the length and breadth of the country, whether it is Tier 2 or Tier 4.

Abhishek Joshi: Thank you Sir, that is all from me.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from Angel Broking.

Keshav Lahoti: Congrats on a great set of number, what a PAT like 300% jump, good numbers. Just had 2 small questions. I just wanted to know, when I see the Q2, there is a box office jump of 51%. But when I look at F&B, so there is a 48% jump year-on-year. So what I am seeing is box office jump is more than F&B. So I just wanted to know how much headrooms are left in F&B? Like earlier, we are doing a kind of big jump in F&B. So are we at peak or there will be more jump like having good food offering, increasing the menu? Just your thoughts on that.

Alok Tandon: Well, if you come to any of our Insignia properties today, you will have more than 200 items on the menu. We have menu, which is changed after every 3 or 4 months so that menu fatigue does not fit in. So a lot of effort is going on to increase our F&B spend where patrons are concerned. And when you talk about absolute, that it is a 48% increase in F&B compared to 51% in the box office, remember we had a heavy footfall quarter. And there are times when people who just come to enjoy the movie, and they do not want to spend on food, for which we are taking, I would not call it a corrective action, but a lot of steps, which we have been doing for the last couple of quarters, is to ensure that we sell more food for patron, we have a point-of-sale wherever he is standing, which includes the buying of food through his app. We have got Queue busters. So we are ensuring that a guest who comes to us buys food and is not turned away because of the long lines. But yes, in a heavy footfall quarter, there are times when people do not buy food because they want to come and just spend on the movie ticket. But as I just said that we are working towards it and ensuring that there are more people who buy food, we sell more food per patron and ensure that where he stands the POS is over there for him to buy his stuff.

Keshav Lahoti: Okay. What is your box office collection in terms of English, Hindi and regional?

Alok Tandon: Well, it depends. On an average, we have about 15% to 20%, which is regional. The same amount is English and the remaining is Hindi, which is about 60% Hindi.

Keshav Lahoti: Sir, I am talking about this quarter, you have the number?

Alok Tandon: So I repeat 68% Hindi, 13% English and 19% other Indian languages.

Keshav Lahoti: Okay. One last question. As we have seen, like Q2 was quite weak for advertising front. Just wanted to know how the Q3 has started? I know it will have got better than Q2. Is it of a level of, let us say, Q1 of this year or Q4 of last year? How is it panning out?

Alok Tandon: Well, let me just correct that. I would not call it a weak Q2 quarter when advertising is concerned, it was an economic slowdown and everybody faced the burn of it. Whatever we have seen in October, the advertising revenues have slowly picked up. And I am hopeful that Q3 will be a good quarter where ads are concerned.

Keshav Lahoti: Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang.

Girish Pai: Just want to go back to the question on advertising. Alok, did you mention that you will see double-digit growth for the full year? Or are we referring to the second half?

Alok Tandon: Well, I would say, for the full year.

Girish Pai: Full year, okay. Second question regarding refurbishment costs. Has the Capex on refurbishment increased? And it has been done at most frequent intervals now than what you have seen in the past. Is the refurbishment cycle shortening in your view?

Alok Tandon: No. It is the same what it was earlier. The cycle remains the same. So it depends that maybe 4, 5 years after the property is opened, we take it under renovation and refurbishment. So the cycle is the same. It has not changed at all. And going forward, yes, we have more properties coming up for refurbishment, but the cycle is still the same.

Girish Pai: And per screen Capex for refurbishment would be how much in your view? Absolute amount?

Alok Tandon: Sorry, please go ahead.

Girish Pai: What would be the Capex per screen, I mean, refurbishment Capex per screen on average?

Alok Tandon: Well, I cannot give a number to that refurbishment Capex because it depends on what we are doing over there. If we are changing a total format, for example, I am putting in a new format in an old screen, yes, it will be a couple of Crores. But maybe if I am just changing the upholstery and the carpets, would be a few Lakhs. So it depends on what I am doing and what I am changing. So I cannot give a particular number to that Capex for renovation.

Girish Pai: Okay, thank you.

Moderator: Thank you. The next question is from the line of Rishab Bothra from Sharekhan.

Rishab Bothra: Sir just wanted to understand the advertisement bit of it in more detail. Was it on account of lower number of minutes sold? Or was it lower ad rates?

Alok Tandon: Well, it was lower minutes because there were people who did not want to advertise or people who were advertising, wanted to advertise for a shorter duration. So that was the reason why it was only a 5% growth you saw. It was not for the rate which we had.

Unknown Speaker: Okay, but when is the rate negotiation expected for advertisements?

Alok Tandon: Well, there is nothing as rate negotiation. We have got different rates for different movies, for blockbusters, for mega blockbusters, for festive season. So I would not call it a rate negotiation. Yes, we have got various rates and slabs for different parts of the year and different time and different movies.

Rishab Bothra: Okay. On the tax rate front, we came to understand that there has been a reduction in corporate tax by the Finance Minister. But somehow we see the Q2 tax rate to be around 35%. Are we not getting the benefit on account of growth? Or have we not opted for it?

Alok Tandon: Well, as of now, we are just evaluating various options, and we will be able to take this call more towards March of 2020, and then we can discuss on this.

Rishab Bothra: Thank you. I will come back on the queue.

Moderator: Thank you. The next question is from the line of Vahishta Unwalla from CARE Ratings.

Vahishta Unwalla: Yes. I would like to know what is the usual time period gap between a movie release date and its release on OTT platforms, maybe about 6 weeks, 3 weeks or something?

Alok Tandon: Well, globally, the phenomena is 12 weeks. That is the window, which we have. But in India, it is about 8 weeks between the time it comes on the screen andOTT.

Vahishta Unwalla: Okay. And given that we had a great performance in the first half of this year and October is almost over, any comments on how Q3 has started?

Alok Tandon: Well, we all know that War was fantastic. We also know Joker did well. So we are quite excited about it. And I just talked about the lineup we have for this quarter, whether it is Housefull 4 coming, Made In China, Saand ki Aankh, we have Marjaavan, various movies, Dabangg 3. So I would say that we are looking forward to this quarter.

Vahishta Unwalla: Sure, thank you.

Moderator: The next question is from the line of Manwardhan Baid from Laurel Investments.

Manwardhan Baid: Again, congratulations on a fantastic set of numbers. What we have noticed is that there is a lot of change that has happened in the properties of INOX right from the dressing of the staff to the materials that are being used, etc. And even the kind of SKUs that are being served, as you mentioned earlier, around 200 different food items that are being rolled out on the menu. Now these changes tend to sort of add on to the overheads. And given the fact that the last 2 years have been extremely good and the performance has been improving quarter-on-quarter, I was wondering if somewhere this performance is leading, maybe, to some sort of aggression on these changes and maybe on the cost side, are there some excesses that you feel that are happening versus what was happening earlier?

Alok Tandon: We always ensure that our costs are under control, and at the same time, we look at how to increase our top line. Having said this, you talked about uniform being changed. I would say that we, as a company, change uniforms after every 2 years. So instead of having the old uniform, we get a designer who can design new uniform, so that it gives a fresh look. Where food is concerned, yes, we have in our Insignias more than 200 items, and they do very well and cost is still under control.. So what it means that, yes, apart from we being cost cautious we are also ensuring that the top line, the revenues keep on increasing and the guest gets a lot of variety. For guests, if I talk about food, he should eat food with the movie, not like earlier days, where he had food before or after the movie. So these things we take cognizant of and ensure that whether it is a good look and feel of the property, whether the smartly dressed staff we have or different type of items we serve on a menu is nothing but like a hotel where you ensure that the guest gets the best, and that is something which we are striving for.

Manwardhan Baid: There is one more suggestion, sort of, query at my end, that now we have reached a stage where sort of in terms of the brand, in terms of the recognition of us as an exhibitor and in terms of the presence being reasonably wide, is there any chance for loyalty program or something like that, so that there can be a repetition in terms of footfalls? I mean, after a very long time, we see an increase in the number of footfalls in a significant manner. But one was wondering if there is some thought process so that, that continuity is maintained?

Alok Tandon: Well, very soon we will hear about that. And we have got this feedback from various people for having a loyalty program, and we are working on it, and we will be announcing it shortly.

Manwardhan Baid: Okay. Some color into what kind of a loyalty program it is going to be like or something on those lines?

Alok Tandon: Well, I will not like to talk about that, please.

Manwardhan Baid: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Urmil Shah from IDBI Capital.

Urmil Shah: Firstly, on the gross margin, which has seen a bit of improvement in this quarter, and there has been a consistent improvement in Q2 of last year, what is the trajectory that we are looking at on this front?

Alok Tandon: Well, again, as I said earlier, I would not like to talk about numbers or what we want to do. But yes, wherever gross margins are concerned, we would like to maintain with those margins. We have improved it because of volumes, because of economies of scale, because of menu engineering. And I would feel that this is something we would like to continue with. I cannot say whether we will be further improving it because it is a tough thing to improve these numbers because we are already quite good, where our gross margins are concerned. But having said this, we will ensure that these numbers stay the way they are going forward.

Urmil Shah: Sure. So would it be safe to assume that you would look at maintaining the H1 gross margin?

Alok Tandon: Yes. That is right.

Urmil Shah: Sure. Sir, and secondly, just on the screen count front, you mentioned that a lot of the screens are ready and only the licensing is remaining. Would that be safe to assume that, that is the case for a majority of the 44 screens?

Alok Tandon: Will it be safe to assume what, the majority? Sorry, could you...

Urmil Shah: For majority of the 44 screens added, it will be safe to assume that only the license is remaining?

Alok Tandon: Well, I would say, it is right for about 55% to 60% of the screens, that is right, we are just waiting with the licenses. For others, the work is in progress, and we should be applying for licenses soon.

Urmil Shah: Sure. The last bit of thing, Kailashji, for you. It is good to see the maiden dividend coming in. Any thoughts on the dividend policy?

Alok Tandon: Well, let me answer that for Kailash. I am sorry to butt in. But I would say that we are a free cash flow positive company, and we are the only ones in the industry to be so. We, as a company, would keep on giving dividends till the time we are cash flow positive. And that is how we look at the dividend policy.

Urmil Shah: Sure Sir, thanks and all the best.

Moderator: Thank you. The next question is from the line of Yogesh Kirve from B&K Securities.

Yogesh Kirve: So if you see in the market, we are seeing about 200 to 300 screen additions annually and some of the screens are at a premium end. So my question is, are we as active in the premium end at the market as we are in the overall market?

Alok Tandon: Well, I would say, one word, absolutely. You have seen over the last couple of quarters, how we have opened Insignia screens. I just talked about a megaplex, which has got great high-end format. So we are aggressive about it. We have standalone Insignia properties as well as Insignia screens being a part of a normal property. We have got various technologies with us. So we have been active, and we will continue to be so.

Yogesh Kirve: Right. Good to hear that. And secondly, in terms of what is a limiting factor behind our investments or the growth? Is it the number of malls, which are developing? So basically, it is our own call regarding how aggressive to be in terms of the screen additions and going for any particular properties?

Alok Tandon: Well, we are quite aggressive about our growth, and that is why we have signed so many screens, 914, apart from the ones we will be opening this financial year. So we are very aggressive. Yes, you are right. It depends on the malls, when the malls come up, how soon they come up. And I answered to one of the questions earlier that I am not seeing a slowdown in 2020 and 2021, including 2022. Whatever properties we have signed are coming up, but though, yes, we are totally dependent on the development of malls.

Yogesh Kirve: Okay, sir. And finally, so for our established properties or the properties which have been there for like 1 year or 2 year, can you give us some understanding of what sort of return ratios do we make on the internal return on capital? Any sense or any ballpark that you can share?

Alok Tandon: Well, we do not discuss these numbers. We do not talk specifically about properties on return ratios, and what we just say is that the only thing a couple of things we look at, as we spoke about, is having the highest, what we call, EBITDA to capital invested ratio, and that is something we would like to talk, but not about individual properties.

Yogesh Kirve: Sir, if you look at the portfolio of the properties another way to ask the question. If you look at the properties, which have been there for more than 12 months, right, which was there at the end of the September 2018. And what sort of return ratios have been made on those properties? I am not asking on individual property, but all properties taken together?

Alok Tandon: Well, we do not talk about the properties also. We just show what we have done. For example, return on capital employed is something, which we have already talked about at 26.5%. Return on equity is 19.9%. So these are numbers, which we speak about, not about properties, which are more than 12 months old or 24 months old.

Yogesh Kirve: Can you talk about what sort of return ratio do we have in mind or target when we decide to take on any particular property or screen?

Kailash Gupta: We are looking for the IRR of around 15% plus. That is what we monitor as an internal benchmark.

Yogesh Kirve: Appreciate that, thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Rohit Dokania from IDFC Securities.

Rohit Dokania: I am sorry, I joined the call a bit late, if I am repeating the question. I just wanted to understand, so I see a very strong comparable growth in footfalls. Congratulations with that. And that is also much, much better than where our larger peer has reported. So I just want to understand as to what has led to the significant sort of improvement in the comparable property footfall growth?

Alok Tandon: Well, I would say, how we market our properties, how we have marketed movies, how we have gone to the market to get more footfalls to ensure that we have got people who are excited about the movie, bulk bookings. So there have been various factors, which have gone into it to ensure that we get good footfalls for the movies, which have released.

Rohit Dokania: Is it also a function of content, Sir, in terms of the kind of content that has come and where our screens are located would you attribute this increase to some bit to that as well?

Alok Tandon: Well, absolutely, it is the content that I talked about the content has been amazingly good in the last quarter. Whether it was movies like we had The Lion King or we had Chhichhore, we had Dream Girl, we had, obviously, Mission Mangal, which did amazingly well. So yes, it is because of content.

Rohit Dokania: Yes. Sure. I understand. I was more referring from a relative perspective, so is it a function of the kind of content that has come that for us the footfall growth is like comparable 22% and for our larger peers, it is more like 6, 7-odd percent. So I was just wondering, is there a differentiated content that works better in our locations or something of that sort?

Alok Tandon: No, the content is the same for everybody.

Kailash Gupta: So there is a lot of marketing, which is done around the units, and we have done a lot of innovative marketing in last couple of months, especially in few Markey properties, and that has led to lot of footfall growth in those properties. Yes. I mean, if you visit to any INOX next time, you will observe that we have done some specific film marketing there.

Rohit Dokania: Sure, Sir. The second and the last question was, what would your cash tax rate in terms of what you actually paid?

Kailash Gupta: So till now, we were on 35% tax rate. And in future, whether we are moving to 25% regime or not, that decision will be taken in next 2 quarters.

Alok Tandon: So as we said that is something we will evaluate and come to know only in March 2020. That is the time we take an appropriate decision.

Kailash Gupta: Of course, we are carrying MAT credit, so we get some benefit.

Rohit Dokania: Sir, I was actually asking about that.

Kailash Gupta: Effective outflow also around 30% in terms of cash.

Rohit Dokania: Great, thank you Sir.

Moderator: Thank you. Next question is from the line of Ashish Kanodia from AMBIT Capital. Please go ahead.

Ashish Kanodia: Just following up on the like-to-like footfall growth. Can you throw some light on what kind of like-to-like footfall growth you have seen in the metro cities versus Tier 2, 3 and 4 cities? Have you seen any slowdown in the growth in smaller towns?

Alok Tandon: Well, we have not seen any slowdown at all.. But the growth we have seen in metro is the same we have seen in any other tier. So there is no property or tier, I would say which is less or more.

Ashish Kanodia: Okay. Okay. That is helpful. Secondly, on the food and beverage spending, what is the difference between a spending in metro city versus smaller town? For example, if out of 100 footfalls, if you see 60% kind of a conversion in metro cities, what is the headroom in smaller towns to grow in the F&B spendings?

Alok Tandon: Well, I would say, for the entire company, there is a lot of headroom. We are working to ensure that more people come to the counter to buy food. We are ensuring that more people buy more items. So I would not like to say that we will max out in metros. Headroom is there, and we, as a company, are working towards that.

Ashish Kanodia: But still, what would be the difference between your metro cities, multiplexes versus a smaller town? Not exactly a number, but a qualitative?

Alok Tandon: No, the only difference, I would say, is in spend per head, , but not in number of people who come and buy food because people who buy food is the same whether it is a metro or a Tier 4. The people who come to the counter to buy food are the same, the percentage remains the same. The only difference is the spend per head in a metro compared to a Tier 3 or a Tier 4 city.

Ashish Kanodia: Okay. Great. And just last, what is the average lease term for our properties? And what is the lock-in period for those properties?

Alok Tandon: Well, we normally sign a property for 18 to 20 to 25 years with a short lock-in of maybe anything between 3 to 7 years. So that is how we work.

Ashish Kanodia: Sir, this 3 to 7 years lock-in is from your side? I mean, you can give a notice of 3 to 7 years and exit a property, but on that...

Alok Tandon: Let me correct that. When I say 25 years, then the lock-in could be about 7 years. Otherwise, on an average it is about 3 to 5 years. Here we will not leave the property. But after the lock-in period gets over, then INOX has the right to move away, but the developer is locked in for the entire tenure. That is how it is.

Ashish Kanodia: Great. And what percentage of our lease would be fixed versus variable?

Alok Tandon: Well, this is something we can get back to you off hand, I may not know that, that how many are fixed and how many are variable, this is something which we can surely get back to you.

Ashish Kanodia: Sure, that is all from my side/

Moderator: Due to time constraint, that was the last question of this conference. We will now hand the conference over to Mr. Alok Tandon for closing comments.

Alok Tandon: Thanks a lot, everyone, for taking interest in the company. And thank you, once again, for being in this call. Thank you, and wish you all a very happy Diwali.

Moderator: Thank you very much, Sir. On behalf of IDBI Capital Markets and Securities, we conclude this conference. Thank you for joining us, and you may now disconnect your lines.