

7th August, 2017

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

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: 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 Wednesday, 26th July 2017. A copy of Transcript of conference call held with the Investors / Analysts is enclosed herewith and the same is also being put up on the Company's Website at <https://www.inoxmovies.com/Corporate.aspx?Section=3>.

Kindly take the same on record.

Thanking you.

Yours faithfully,
For INOX Leisure Limited


Dhanraj Mulki
**Vice President – Legal
& Company Secretary**

Encl.: As above.





“INOX Leisure Limited Q1 FY-18 Results Conference Call”

July 26, 2017



MANAGEMENT: **MR. ALOK TANDON – CHIEF EXECUTIVE OFFICER,
INOX LEISURE LIMITED**
**MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER,
INOX LEISURE LIMITED**

MODERATOR: **MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the INOX Leisure Q1 FY18 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you, Mr Periwal.

Ankur Periwal: Thanks, Karuna. I would like to thank all of you for dialing into INOX Leisure post result earnings call for the quarter ended June 2017. The call will be initiated with a brief management discussion on the quarter's performance followed by an interactive Q&A session. The management team will be represented by Mr. Alok Tandon – CEO, INOX Leisure and Mr. Kailash Gupta – CFO, INOX Leisure.

Over to you, Mr. Tandon.

Alok Tandon: Thank you, Ankur. Good evening, ladies and gentlemen. It is a great privilege to greet and welcome you all on behalf of our board of directors and the senior management of INOX. We are thankful to all of you for having spared time in joining us here today to discuss the earnings of INOX Leisure Limited for the first quarter of FY18. We have uploaded the results on the website of the stock exchanges as well as on the website of the company.

Along with results, we have also uploaded an earnings update presentation. Talking briefly about our first quarter financial performance, our revenues increased by 15% year-on-year from Rs. 336.9 crores in Q1 FY17 to Rs. 387.4 crores in Q1 FY18. This was driven by a 12% increase in Net Box Office collections; 9% increase in F&B revenues; 57% increase in Advertising income and 24% increase in Other Operating revenues.

EBITDA increased by 22.2% YoY from Rs. 62.1 crores in Q1 FY17 to Rs. 75.9 crores in Q1 FY18. EBITDA margin improved from 18.4% to 19.6% driven by higher Box Office collections, F&B and advertising revenues whilst keeping operating cost under control. We have witnessed strong movie content in first quarter. The top 5 movies contributed 63% of Gross Box Office collections in this quarter compared to 41% in previous year quarter.

The top 5 movies for us were Baahubali - The Conclusion which give us 61.25 lakhs footfalls and a GBOC of Rs. 128.74 crores; Fast and Furious gave us 9.38 lakhs footfalls and a GBOC of Rs. 18.41 crores. Tubelight 7.32 lakhs footfalls and a GBOC of Rs. 17.23 crores. Hindi medium 8.69 lakhs footfalls and Rs. 14.96 crores as GBOC and Half Girlfriend Dost Se Zyada Girlfriend Se Kam 5.94 lakhs footfalls and Rs. 10.75 crores in GBOC.

Looking at the operating parameters the footfalls increased by 2% from 155 lakhs in Q1 FY17 to 158 lakhs in Q1 FY18. Occupancies remained flat at 31% in Q1 FY18. Average ticket price went up by 11% from Rs. 174 in Q1 FY17 to Rs. 193 in Q1 FY18.

For the comparable properties, the footfalls declined by 4% from 149 lakhs in Q1 FY17 to 144 lakhs in Q1 FY18. Occupancies however increased from 31% to 32% in Q1 FY18. For other revenue streams F&B SPH increased by 6% year-on-year from Rs. 61 in Q1 FY17 to Rs. 65 in Q1 FY18. The net contribution from F&B remains same at 77% in Q1 FY17 and also in Q1 FY18. Advertising revenues have grown by 57% from Rs. 21.3 crores in Q1 FY17 to Rs. 33.4 crores in Q1 FY18.

On the cost side entertainment tax was stable on year-on-year basis at 21% in Q1 FY18. Distributor share on NBOC increased marginally from 42.3% in Q1 FY17 to 43.7% in Q1 FY18. Other overheads per operating streams have gone up by 4% from Rs. 40.9 lakhs in Q1 FY17 to Rs. 42.5 lakhs in Q1 FY18. In terms of the new properties that we have opened during the quarter we opened one property in Pune Heritage Mall with four screens and 662 seats on 26 April 2017. We have opened another property in Omaxe Mall, Greater Noida on 14 July 2017 with five screens and 1223 seats. We now operate in 19 states, 58 cities and 119 properties with 476 screens and 1,19,395 seats. A new screen pipeline for the remaining year includes 9 properties with 39 screens and 6,577 seats. Post March 2018, we have already tied up in terms of signed agreement for another 79 properties with 461 screens and 85,955 seats. Once this pipeline is implemented we will have 207 properties, 976 screens, 2,11,927 seats.

The content pipeline going forward looks extremely encouraging and exciting with upcoming Shah Rukh Khan release of Jab Harry Met Sejal; Akshay Kumar's Toilet Ek Prem Katha; Ajay Devgan's Baadshaho; Kangana Ranaut's Simran; Farhan Akhtar's Lucknow Central and Varun Dhawan's Judwaa 2.

With this brief overview, I now like to open the call for any queries/ questions which you may like to ask.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session.

We take the first question from the line of Karan Taurani from Dolat Capital. Please go ahead.

Karan Taurani: Just wanted to know the ad revenue part I mean excluding Baahubali what would have been the ad revenue growth? Have you worked on that number as such?

Alok Tandon: Well, I do not think so that is important because what is important is that how do we perform as a company where ad revenues are concerned and which movie gets what traction. I would like to say that looking at the numbers which we have declared for our advertisement revenues,

we have finally seen fruits of our labor. We have made some of the best properties in the country and it has been appreciated by both our customers as well as our advertisers. We all know that advertising revenue has increased because of good movie content and Q1 was no different. You are right, Baahubali was the main puller and riding on that we had some great numbers for Q1.

Karan Taurani: Just one more thing. Can you give the pricing and the inventory split of the ad revenue growth I mean the metrics on that if you can give?

Alok Tandon: Well, I will tell you that our realization of average rate per week per screen has seen a lot of increase. I would not like to talk numbers about that but we have seen that the minutes have remained constant, but our endeavor was to increase the realization rate which we have been able to do over a period of time.

Moderator: Thank you. Next question is from the line of Vikram Ramalingam from Maybank. Please go ahead.

Vikram Ramalingam: My question is first on the part wherein the top five movies have contributed to 63% of the gross block collections. I understand that this is not entirely in your hand but is this a good phenomenon as in for example Baahubali has contributed to roughly 40% to 45% of the gross. I mean is this good for us considering the distribution expense will go down, I mean how do you see the dynamics over here?

Alok Tandon: Well Vikram, this is not about good or bad, but yes because of Baahubali and this is the first time if I am right, I will stand corrected if these figures are not right, that 63% contribution has come from the top five films. Last year was 41% in Q1 FY17 if I remember right, and I may be wrong that it was 45% about two years back in Quarter 1 but those figures I do not have with me as of now. Having said this, it all depends what is our main criteria? The main thing is to get in more people into your theater to get more advertising revenues and to sell more food. With more people coming in, we were able to increase our box office revenues and our F&B revenues also. Yes, it is very difficult to say whether 63% for the first five films is good or bad but having said that I would say that the endeavor is to get more people and we were successful doing that in Quarter 1.

Vikram Ramalingam: My second question is again about ad revenue. You have done really well in this quarter. So and more importantly I see that the ad revenue upon average screen is one of the highest or at least in the last two years it is one of the highest. So it is one thing that the effect of demonetization probably was lower in this quarter but can we also sort of assume that the ad volumes are bad, post your ad rate hike in December 2016?

Alok Tandon: Well, you are absolutely right. People who had not advertised with us earlier are back now and they have agreed to the rate which we want to charge them for a one-minute ad shown across

all our theaters. So people are back advertising with us and as I said earlier that because of the properties which we have made over a period of time it is being liked by both advertisers and by the customers and because of that we are getting good traction.

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

Neeta Khilnani: I just wanted to understand our ATP growth of 10% YoY, so is this a quarterly phenomenon because we had Baahubali in this quarter or is it because your premiumization efforts are bearing fruit? If you could just throw some light on that?

Alok Tandon: I would say it is a combination of both. Our endeavor is to increase our average ticket price quarter-on-quarter. But here Baahubali coupled with our properties in Tier-I cities added to the increase in our average ticket price.

Neeta Khilnani: So on a steady state business we could probably assume a 3% to 4% ATP growth?

Alok Tandon: Yes, 3% to 4% is absolutely right. Our endeavor is to go more but I would say on a conservative note 3% to 4% increase in ATP QoQ.

Neeta Khilnani: Okay and my second question was on the 4% drop in footfalls in comparable properties so this is obviously an indication that apart from Baahubali the other movies were not doing very well. Am I right in my conclusion?

Alok Tandon: Yes, you are right. Maximum number of footfalls as I read out the numbers came from Baahubali.

Neeta Khilnani: And just a follow up on this. Now that I understand OTT is in a very nascent stage but new releases are coming as soon as two, three weeks within release on OTT platform and with probably in higher instance of mediocre content, do you somewhat see OTT as a threat where people would just want to watch it on a app rather than on theaters especially if the content is mediocre?

Alok Tandon: Well, I have always maintained that nobody can take away the experience of watching a movie on a large screen with crystal clear projection and distortion free sound. All the serious movie viewers and movie goers would always without fail watch a movie in a cinema hall. And that will always continue. OTT platform yes, it is an alternative but that is after the movie has been done and dusted and done away with later that it comes on a different platform. I do not think it is a challenge as of now because there are other contents also which people are absorbing on an OTT platform. But the craze of watching a movie in a cinema hall will never die down.

Moderator: Thank you. Next question is from the line of Rajiv Sharma from HSBC. Please go ahead.

Rajiv Sharma: Just couple of questions from my side. This ATP increase you say it is a combination of Baahubali and the premium strategy. But if we were to just segregate Baahubali how much of this would increase. A large part seems to be coming from Baahubali and second is, do you think Tier-II, Tier-III markets it is more of a long-term question. Will they need a very different approach in terms of rolling out multiplex given the affordability issues there?

Alok Tandon: Okay it is very difficult to segregate the ATP increase because of Baahubali or other strategies or the increase in prices in metro. So it will not be possible for us to deep dive and find out that what is the percentage of ATP for these three reasons. To answer your second question that a different strategy for Tier-II and Tier-III, INOX will add properties at Tier-II and Tier-III, and our strategy and our thinking is to give the best to the patrons in that particular place as per INOX standards. So whether it is projection which is the same at Nariman Point or any Tier-III cities or acoustics which is the same all across we offer the best experience to the patrons at that particular place.

Yes, what we compromise on is instead of putting a travertine or marble on the wall we may put a tile over there but that also will be the best for that particular city and that particular multiplex. What we look at is IRRs and ROIs which are the same whether it is a Tier-I city or a Tier-II because pricing and the average ticket price varies accordingly.

Rajiv Sharma: And you mentioned that you have tied up four more properties but you also mentioned something about your medium-term plans which I missed out. So if you could repeat that?

Alok Tandon: Well, this is about the property pipeline which we have?

Rajiv Sharma: Yes.

Alok Tandon: Okay we have already opened nine screens in this financial year till now. We opened four screens in Q1 and five in this quarter. Going forward, we are planning to add another 39 screens with 6,577 seats in this financial year.

Moderator: Thank you. Next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.

Ashish Kumar: I had two questions. One was how sustainable do you think is this jump in advertisement revenues and what kind of and I know you guys do not give a guidance but what should we penciled in as a longer-term ad revenue growth?

Alok Tandon: Well, I think you answered your question yourself that we do not give guidance at all. But let me tell you that we think that this is sustainable and going forward our realization rates will keep on getting better.

Ashish Kumar: So what kind of yields have we seen an increase in maybe some idea on that?

- Alok Tandon:** Could you just repeat that question, please?
- Ashish Kumar:** What kind of increase in yields have we got? is it high teens, low twenties?
- Alok Tandon:** I will not give the exact number but it is in high teens and whatever we were endeavoring over the last couple of quarters is now bearing us fruit and we can see that the entire realization or the average rate per week per screen per minute is increasing at a steady state.
- Ashish Kumar:** And the second question if I can squeeze in is around GST now that it has been there for twenty-five days and we had a rate of 28% as compared to whatever we were expecting. How have the ticket prices and how have the margins fared, have we managed to get the increase in prices because of the increase in GST how is that?
- Alok Tandon:** It has been too early as of now, it is only twenty-five, twenty-six days. I think so the true impact of GST impact will only come by the end of Q2. So it is too early to say that whether GST is benefited, not benefited, how our pricing will plan out across the country. So as of now, it is a bit premature to talk about it.
- Moderator:** Thank you. Next question is from the line of Vikram Ramalingam from Maybank. Please go ahead.
- Vikram Ramalingam:** I wanted to talk about the cost control measures that you said you have taken. Anything specific that you care to elaborate?
- Alok Tandon:** Various things we have done where energy is concerned using variable frequency drives to reduce our HLP cost, to changing normal bulbs into LEDs having BMS system installed in few places to monitor the air handling units, having motion sensors installed in back of the house so that if nobody is there, we can reduce electricity consumption by switching off the lights. So various things we have done over a period of time which has helped us in controlling our costs.
- Vikram Ramalingam:** What about employee costs even we have opened 51 screens in the last one year it has increased only 6%, how did you manage that?
- Alok Tandon:** Yes, we have increased our screens but our corporate office costs remain the same. There is a marginal increase in that, it is not a huge amount because the more screens we opened can be managed by the people who are in the corporate office. And if I divide that increase in rupees per screen it is absolutely under control and if you see in this quarter it is slightly a shade under what it was in Q1 FY17. So it is just by using the same number of people for more properties.
- Moderator:** Thank you. Next question is from the line of Karan Taurani from Dolat Capital. Please go ahead.

- Karan Taurani:** Just a follow up on the spend per head. One of your larger peers actually reported spend per head a growth of 10% and yours is for 6% odd. So what is the differentiating factor and what are you exactly doing to drive higher spend per head going ahead?
- Alok Tandon:** We have taken various steps over the last few quarters and I know that this also over a period of time will go up. We are increasing our point-of-sales so that the patrons do not have to wait in a line to buy their food. We are having automatic LEDs, and kiosks where without any human intervention the person can go and order his food. We have embedded a food app into the INOX app from which you can also buy your food. So lot of efforts are going on to increase our spend per head and as I just said, it is a matter of time before we see an increase in that SPH also.
- Karan Taurani:** I mean how many quarters would you estimate or how much time would this take?
- Alok Tandon:** Again, I am not a crystal ball gazer but I will say that sooner than later you will see a healthy increase in this.
- Moderator:** Thank you. Next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.
- Jayesh Gandhi:** My question is regarding the price cap which Karnataka Government had put on theaters. I think I just want a clarification. Was that only on the regional films that was showcased or on all the films?
- Alok Tandon:** That was on all the films but only on weekdays not on weekends. And also on weekdays we could charge for an Imax format & Insignia screens higher price. So basically the price cap was only for regular seats from a Monday to a Friday.
- Jayesh Gandhi:** And is that the only state or we have other states also who have followed this?
- Alok Tandon:** No, nobody else has followed that but just to tell you Tamil Nadu already has a price cap where we have to sell tickets at a certain rate.
- Jayesh Gandhi:** Okay, and another thing is that about GST, the entertainment taxes are also levied on I mean by different states, is that true?
- Alok Tandon:** It's not entertainment tax, so no entertainment tax is levied after GST. What people are talking about is a local body tax. But nobody has levied it as of now. So there is no other tax, there is nothing as entertainment tax after the implementation of GST.
- Jayesh Gandhi:** Okay. So if I say after 1st July GST plus whatever taxes are being levied can you just help us in understanding is that on a higher side or lower side, and what is the difference?

- Alok Tandon:** Well, it is only GST which is being levied, there is no other tax apart from GST. So just to tell you on ticket prices which are priced below Rs. 100 it is an 18% tax, on ticket prices which are more than Rs.100, it is a 28% tax. So that is the break up.
- Jayesh Gandhi:** So if I say in a city like Mumbai what was it before that and post GST?
- Alok Tandon:** Well, for a place like Mumbai it was 45% on net before GST and now it is 28%.
- Jayesh Gandhi:** Okay no local body taxes are currently being levied?
- Alok Tandon:** No, there is no local body tax as of now.
- Moderator:** Thank you. Next question is from the line of Girish Pai from Nirmal Bang Institutional Equities. Please go ahead.
- Girish Pai:** I just want to go back to the answer you gave on sustainability with the ad rate and where you said that it will continue to increase. If I look at the numbers for the current quarter the ad revenue per screen is somewhere in the region of 27 lakhs, 28 lakhs on an annualized basis. So are you saying that that is going to be the base on which one needs to build the model that it is going to be an increase from here on, you will not see a decrease?
- Alok Tandon:** Well, the endeavor is to build on this base and take it forward and increase it. And as a Company we are making all efforts to ensure that, that happens.
- Girish Pai:** No, so you are saying there is no one off element in this because of Baahubali by which you know Q2 will actually see a decline. Was there any substantial premium you got because of Baahubali that is part of this advertising rate which may potentially come off in Q2?
- Alok Tandon:** Well, you always get a premium for big movies and our rate cut is designed in such a way that for a blockbuster or a mega blockbuster we charge more from a client. That will continue to happen even in Q2 because there are some marky movies coming out in Q2 and we will be able to command a higher rate for those movies also. So going forward this is a base which we are going to build on and as I just said the endeavor is there to increase our ad revenues.
- Girish Pai:** Okay, my second question is with regard to your Worli property the Atria mall property. I thought that was supposed to come on some time now, is that on or has that been pushed back?
- Alok Tandon:** No, it has not been pushed back. The property is on and sooner you will see us announcing that.
- Girish Pai:** Okay. My last question is mix of revenues between Bollywood, Hollywood and regional that you saw in Q1 of FY18 versus Q1 of FY17?

- Alok Tandon:** Okay. Let me compare that for Q1 FY17 and Q1 FY18. Hindi movies in Q1 FY18 contributed 66% of the GBOC and if I compare it to Q1 FY17 it was 53%. English this time contributed 14% only compared to 25% in Q1 FY17 and rest was all regional and other movies. So Hindi is 66% this time and last time it was 53%; English 14% this time and 25% last time.
- Moderator:** Thank you. Next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.
- Neeta Khilnani:** I just wanted to understand of the 48 screens that you are planning to add this year, how many would be the premium ones and is there any sort of mix that we have in there?
- Alok Tandon:** Well, looking at the places we are coming up, Mumbai, Navi Mumbai, Delhi, Gurgaon surely will have premium screens. That goes without saying. You will see INOX coming out with great properties in these locations and again I would also call the other theaters which we are building premium because they are premium for that particular city. But if I look at the overall context you will see great properties in Mumbai, Delhi and Navi Mumbai coming up.
- Neeta Khilnani:** And what will be the CAPEX per screen for these three properties?
- Alok Tandon:** Well, I would not like to talk about specific CAPEX for these properties. Let me just tell you that on an average we spent about Rs. 2.5 crores to Rs. 3 crores per screen. And I really would not like to talk about how much we are going to spend for these prime properties of ours.
- Neeta Khilnani:** So the average still remains at this level?
- Alok Tandon:** On a national level, yes.
- Moderator:** Thank you. Next question is from the line of Rajiv Sharma from HSBC. Please go ahead.
- Rajiv Sharma:** Just on the GST side on your comments on Mumbai, that it was 45% and now it is 28%. So will you pass on this 17% benefit it will start reflecting in the ATP going forward?
- Alok Tandon:** Well, as I said it is too early for this and let me also remind you that the taxation on food has increased. It was 11% - 11.5% back earlier which has gone up to 18% now. So, we are only three weeks into the GST regime and it will take some time to understand pricing and again for food we are absorbing the entire tax component. We have not even increased our prices.
- Rajiv Sharma:** But I am just trying to understand the regulator is likely to see on specific items and it may not bundle food and tickets and decide that whether there is any excess profit being made or not?
- Alok Tandon:** Well, again there is no excess profit being made and as I said it is only a couple of weeks into the new GST regime. We are still doing our P&Ls, we are still calculating how much we are earning because the tax on one side has reduced but on the other it has increased.

- Rajiv Sharma:** Right and if it was the situation where you have to adjust this then this 3% to 4% QoQ increase in ATP, will that still hold?
- Alok Tandon:** Well, that is a very hypothetical question but we as a Company have always been maintaining that, yes, we should be able to show a 3% to 4% QoQ increase in our ATP prices.
- Moderator:** Thank you. Next question is from the line of Sanjeev Hota from Sharekhan. Please go ahead.
- Sanjeev Hota:** Just one thing on this regional content last year, it was Sairat and this year it was Baahubali which is almost like 3x-4x better higher box office than Sairat. So what is the strategy of the industry as far as the regional content goes because regional content is now becoming more and more good in terms of footfalls and Box Office Collections. So what is the strategy over there, what if the industry is giving more, leaving more regional content, subtitles or good dubbed version. What is the strategy over there?
- Alok Tandon:** Well, for that strategy I think you should ask the producers of the movies. We are exhibitors, but just to tell you that we are happy if a movie of any language, any genre, any classification does well and gets-in people. Thus the endeavor is to get in more people and fill up our seats. Where we are concerned, yes, we are happy that now more and more movies including English movies are being dubbed into local languages and because of that, we see people coming out of their homes and watching movies in a theater. We are happy that the Tamil, Telugu, Bengali, Marathi movies are doing well and to tell you even Punjabi movies have been doing very well over the last couple of quarters. And that is the beauty of our nation that we have so many languages and that will help the entire exhibition and the film industry to increase the revenues.
- Sanjeev Hota:** Because I have not seen any of the dubbed movies or the regional big movies in our content pipeline going forward apart from the English movie that has always been there. But dubbed regional movie I have not seen any. So we are missing something or there is no strategy as of now not from the exhibitors but from the producers side to release regional content because it was well supported because we have seen last year it was Sairat, this year Baahubali it was mostly driven by Baahubali. So are we, is not pushing anything on this so asking producers to release more and more movies like this?
- Alok Tandon:** Well, Baahubali released in two or three other Indian languages. It was Telugu, Tamil, Hindi. For other movies well, Robot 2 comes to my mind coming in Jan 2018 again Robot 2 will be in a few other Indian languages also. But as I said this is the prerogative of the producer to decide that in which all languages he has to release his movie.
- Sanjeev Hota:** Because earlier participant has asked about the OTT segment because in the OTT there are so many regional content coming up with this subtitles part. So there is a huge demand for that so

there will be going forward that might not be the case that those people will more inclined to watching the regional content in OTT and not in the movie theaters?

Alok Tandon: No, there are lots of regional movies which we play with subtitles also. So in various parts of our country we do play regional movies with subtitles in Hindi or English as given to us in a DCP by the producer.

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

Amit Kumar: I am sorry I joined the call a little late so this is a repeat. This very strong ATP inflation that we have seen in this particular quarter how much of this would you really attribute to Baahubali 2 and how much would you sort of sustainable going forward?

Alok Tandon: Well, I just answered this question. It is very difficult to dissect that how much came from Baahubali and how much from our premium properties. But the endeavor is to yes increase our ATP and as a company we say that it should be an increase of 3% to 4% quarter-on-quarter. But having said that the more premium properties we open in metros, our ATP will surely increase. But answering your question how much came from Baahubali and how much from other properties is very difficult to answer.

Amit Kumar: Alright. And on GST I know it is early days, it has not even been a month but at this point of time has pricing because we have seen in Hindi markets or at least some Hindi markets Delhi, Bombay taxation has come down. In a few regional markets the effective tax rate has gone up although at the circuit level at the system level it sort of remains the same. But have we sort of seen any price changes at all across your circuit and if you can just help us understand that? I understand things are fluid, they will sort of change as we go along, but what is the situation right now last 25 days? Has there been any movement in terms of ticket pricing?

Alok Tandon: I just answered that question, taxation on food has increased. So from 11.5% it has gone up to 15% on gross. Pricing today is primarily content based. But in places where the rate structure has come down, yes, because of movies we have priced it low. But it is too early for us to even decide a strategy and take things forward and how to do our pricing. It will be a few more weeks before we decide that and we have those rates implemented.

Moderator: Thank you. Next question is from the line of Aditya Shrimankar from Equisearch. Please go ahead.

Aditya Shrimankar: My question is regarding the new screens pipeline for FY18 and I am looking at Mumbai, Surat, Delhi all of them have like about on an average 30 seats being added per screen. So are these all like the Insignia screens and if yes, what is the CAPEX, how is the CAPEX different in these screens compared to what the regular ones are?

- Alok Tandon:** Okay wherever you see on an average 30 to 40 or 50 seats, yes, those are Insignia screens. CAPEX I just now said on a company level it is between Rs. 2.5 crores to Rs. 3 crores per screen. I would not like to divulge and tell that how much we spent on our premium properties, yes, it is much more than that. But overall, we ensure that at company level it is around 3 crores.
- Moderator:** Thank you. We have a follow up question from the line of Girish Pai from Nirmal Bang Institutional Equities. Please go ahead.
- Girish Pai:** Has anything changed in construction, has the pace picked up or has the pace slowed down, is it just about the same as it was say six months back or a year back? Has RERA made any kind of difference?
- Alok Tandon:** Well, again RERA is also too new. Just been implemented but the advantage is now only serious developers will be in the fray. But it will not affect us because the developers whom we signed with are people with credibility and they have always delivered on time and they have stuck to the timeline, maybe a few months up or down but they have always given us properties as per their commitment. What we have seen is whether it is a Tier-I, Tier-II, or Tier-III construction is taking place. Even in places like Bangalore, Hyderabad, or even a Tier-III city malls are coming up. Yes, there is a difference in the size of a Tier-I mall or a mall in a Tier-III city but construction is still going on and we are partnering with developers with credibility who will give us properties as they promised.
- Girish Pai:** Okay the other thing I get to know that Cinepolis probably opened a lot more screens last year compared to you as well as PVR on an individual basis. Now do you see any unusual competitive activity happening in the market because of some aggression by Cinepolis?
- Alok Tandon:** Well, I would not like to comment on another company in the same sector. I would just like to talk about my Company. Yes, we are always hungry for growth. We have always been on a growth path from the day we started. And this year is nothing less where we have already opened 9 screens and are targeting to open 39 more.
- Moderator:** Thank you. Next question is from the line of Amit Kumar from Investec. Please go ahead.
- Amit Kumar:** Just one bookkeeping question to begin with. What is the entertainment tax refund that you booked for this quarter?
- Kailash Gupta:** So these are basically the claims where we have lot of regional subsidies so we book that as an ETax refund basically. So it is a recoverable amount.
- Amit Kumar:** Correct, so what would be that amount for this quarter?
- Kailash Gupta:** This quarter would be around Rs. 4 crores.

Amit Kumar: Then coming to employee cost, PVR is sort of reported that in Delhi and Bangalore the minimum wages have increased by almost 35% and I know you do not have a big presence in Delhi but Bangalore is still a decent market for you as well. Just I mean some comments on that and even from an ad sales perspective I remember this quarter you are supposed to enforce the ad sales from a third party previously. So in effect we would have expected a little bit of inflation in terms of employee cost, more hires to basically more ad sales hires possibly to manage the higher volume of business. We have actually seen pretty decent sort of trends outside. So how do you manage that essentially?

Alok Tandon: Well, I answered that question about employee cost that, yes, we have increased more screens. You are right that minimum wages have gone up in Delhi but we have only 13 screens in Delhi. Karnataka also it has increased but so has it in other parts of the country as well. We have kept more or less our Head Office cost and employees the same. So with more screens the same people are doing work and ensuring that the properties work or support or that the Head Office keeps on supporting larger number of screens what they were doing earlier. Hence if I divide that increase a slight incremental increase in the Head Office cost by the number of screens, that is less what per screen than it was earlier and that I think so will continue staying over there. Where your other question was on?

Amit Kumar: In terms of ad sales so enforcing of ad sales from a third party to in-house now, would we need more people to manage it?

Alok Tandon: Well, we have always had an in-house team and we always had a strong in-house team. Earlier we had a few agencies and this year what we have done is that we have increased the number of agencies which go out and sell our ads. But our in-house team is as strong as ever. We have more people, we have more feet on the street now and we are going and speaking with various advertisers and designing the campaigns together with them. So that thought process and that work which we started a couple of months back or I would say a few quarters back is yielding results.

Amit Kumar: Just a final question. In the Telugu market, there was a price hike to basically allow you to pass on the increase in terms of going from entertainment tax to GST the increased rate because pricing in Telangana is also capped. Then there was some news that the government has sort of withdrawn that. Can you just clarify that?

Alok Tandon: No, that is not right. I do not think so that is the right information. Prices have not increased because of GST and neither they have revoked whatever they have done. So that is not right.

Amit Kumar: So if you could just clarify what is the current status there, what are the current price caps in Telangana and how is that moved basically?

- Alok Tandon:** Well, Telangana there is always a price given to a particular multiplex and that is the same it has not changed at all over a period of time. We see an increase in rates let us say within two or three years or in a period of two or three years. But as of now the G.O. which we are talking about which has come up has not been put on the official website because that takes time. So after the government declares a particular price it takes time for it to be told to the various police commissioners or the licensing authorities and putting it up on the official website. That should happen sooner than later.
- Amit Kumar:** And what is the new price, what is expected to be the new price relative to the old price?
- Alok Tandon:** If I remember right it is Rs. 50 increase in normal seats, and the same amount in recliner seats.
- Amit Kumar:** Okay so you expect this to happen over the next couple of months essentially?
- Alok Tandon:** I would say a couple of weeks.
- Moderator:** Thank you. Next question is from the line of Ashish Kumar from Infinity Alternatives. Please go ahead.
- Ashish Kumar:** As a part of the question this year we are adding almost only 6% - 7% of capacity. So do we expect that from this year we would start seeing a reduction in the absolute debt amount? Or are we going to get free cash flow positive from this year assuming there are no acquisitions and we just execute as per the plan?
- Kailash Gupta:** The plan is to basically manage all the CAPEX with the internal accruals and not to pad up the debt further. That is our endeavor but it will all depend on how the year goes actually.
- Ashish Kumar:** Yes, I know but the thing is whether will you be generating a free cash after the CAPEX which means the absolute amount of debt should come down for the year, will this be a year in that where we will see that?
- Kailash Gupta:** I think you will, because we are adding around 48 screens so you can take a CAPEX of around Rs. 2.5- Rs. 3.0 crores which comes to around Rs. 131 crores - Rs. 140 crores and we will be putting around Rs. 40 crores- Rs. 50 crores in the complete renovation and overhauling of couple of units. So our CAPEX should be around Rs. 200 crores and against that, we should be generating more than Rs. 200 crores cash internally.
- Moderator:** Thank you. We take the last question from the line of Girish Pai from Nirmal Bang Equities. Please go ahead.
- Girish Pai:** I just wanted to revisit the advertisement revenue growth of 57%. You mentioned that ad rate per screen has gone up in the high teens. So do I assume that the minutes per screen has also

gone up I think it was like 14 minutes per show has it gone up closer towards 20 minutes? Is that how one should read the rest of the volume growth?

Alok Tandon: Well, as I said that I did not tell you the exact percentage of our realization how it has gone up. But I mentioned that the minutes are more or less the same. Hence we have increased the amount we earn per minute compared to what we did on Q1 last year. So I really do not want to indulge or tell you how much percentage it has gone up by.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to handover the floor to the management for their closing comments. Over to you, sir.

Alok Tandon: We would like to thank all of you for taking interest in our company and taking out time to attend this call. Thanks a lot.

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