INOX
LIVE THE MOVIE

6th February, 2017

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 Tuesday, 24th January, 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.

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"INOX Leisure Q3 FY17 Earnings Conference Call"

January 24, 2017

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

MANAGEMENT: **MR. DEEPAK ASHER - DIRECTOR AND GROUP HEAD - CORPORATE FINANCE, INOX GROUP OF COMPANIES**
MR. ALOK TANDON - CEO, INOX LEISURE LIMITED
MR. KAILASH GUPTA – CFO, INOX LEISURE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the INOX Leisure Q3 FY17 earning conference call, hosted by Axis Capital Limited. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you Sir!

Ankur Periwal: At the outset, I would like to thank all of you for dialing into INOX Leisure post result earnings call for the quarter ended December 2016. The call will be initiated with a brief management discussion on the quarterly performance followed by an interactive Q&A session. The management team will be represented by Mr. Deepak Asher - Director and Group Head Corporate Finance, INOX Group of Companies; Mr. Alok Tandon - CEO, INOX Leisure; and Mr. Kailash Gupta, CFO INOX Leisure Ltd. Over to you Mr. Asher.

Deepak Asher: Thanks Ankur, happy to report that the meeting of the Board of Directors of INOX Leisure Limited just concluded about a couple of hours ago and amongst other things the board has approved the results for the quarter and nine months ended 31st December 2016. We have uploaded the results on the website of the stock exchanges as well as the website of the company. We have also along with the results uploaded an earnings update, a presentation that will give you some qualitative insights into the operating parameters. I would now like to take you through the presentation. Total revenues for the quarter remained virtually flat at Rs 297.9 Crores for Q3 FY16 vs Rs 298 Crores for Q3 FY17. EBITDA fell from Rs 53.4 Crores in Q3 FY16 to Rs 31.7 Crores in Q3 FY17. PAT fell from Rs 17 Crores in Q3 FY16 to Rs 3.8 Crores in Q3 FY17. As a result EBITDA margins shrank from 17.9% to 10.6% and PAT margins from 5.7% to 1.3%. We believe this was largely because of two factors, one obviously the demonetization which led to some curtailment in both consumers as well as advertisement spending as well as indifferent content continuing in this quarter as well. For the nine months ended December 2016, the total revenues have grown by about 3% from Rs 908.2 Crores in nine months FY16 to Rs 932.2 Crores in nine months FY17. EBITDA has fallen from Rs 174.4 Crores to Rs 121 Crores. EBITDA margin has shrunk from 19.2% to 13%. PAT has fallen from Rs 63.6 Crores in nine months FY16 to Rs 30.3 Crores in nine months FY17. PAT margin has halved from 7% to 3.2% in these nine months. Giving you a breakup of our total revenues, as you know there are essentially four key segments that is net box office, food and beverage income, advertising income, and other operating revenues. The net box office revenue fell by about 3% in this quarter from Rs 181.6 Crores to Rs 176.4 Crores. F&B revenues increased by 3% from Rs 65.5 Crores to Rs 67.6 Crores. Advertising income increased by 2% from Rs 29.5 Crores to Rs 30.2 Crores, and other operating income increased by 11% from Rs 21.3 Crores to Rs 23.7 Crores. Those are the quarterly numbers. For the nine-month period, net box office revenues increased by about 1% from Rs 561.1 Crores going up to Rs 569.4 Crores. Food and beverage income increased by 5% from Rs 208.6 Crores to Rs 218.4 Crores. Advertising income went up by 5% from Rs 71.6

Crores to Rs 75.3 Crores, and other operating revenues went up by 3% from Rs 66.8 Crores to Rs 69.1 Crores.

Some of the movies did well in this quarter. The top five grossers for us were Dangal which had footfalls of 21.72 lakhs and a gross box office collection of Rs 47.45 Crores, Ae Dil Hai Mushkil footfalls of 10.76 lakhs and GBOC of Rs 22.66 Crores, MS Dhoni - The Untold Story footfalls of 11.97 lakhs and GBOC of Rs 20.76 Crores, Dear Zindagi footfalls of 9.19 lakhs and GBOC of Rs 16.92 Crores and Shivaay footfalls of 6.99 lakhs and GBOC of Rs 13.36 Crores. The top five grosser contributed to about 53% of our gross box office revenues as compared to for example 48% same quarter last year, which also means that the rest of the films other than these top five contributed to just 47% of our revenue, which was actually 52% in the same quarter last year. Seven movies that were expected to do well did not perform that well at the box office and the disappointments included Mirzya, Rock-On 2, Force 2, Kahaani 2, and Befikre. Looking at the operating parameters behind the financial numbers, the footfalls fell by about 3% from 129 lakhs in Q3 FY16 to 125 lakhs in Q3 FY17. Occupancies fell from 28% to 26%; these are numbers for the quarter. For the nine months, footfalls fell again by 3% from 420 lakhs to 407 lakhs and occupancies fell for the nine-month period from 31% to 28%. Average ticket price went up by 1% from Rs.179 in Q3 FY16 to Rs.182 in Q3 FY17 and for the nine-month period the increase in ATP was 5% from Rs.171 in nine months FY16 to Rs.179 in nine months FY17. These are for all the properties together. If you compare these parameters on purely comparable properties, which were the properties operational throughout the period, last year as well as this year, footfalls fell by 10% from 125 lakhs in the quarter Q3 FY16 to 112 lakhs in Q3 FY17, occupancies fell from 28% to 27%. For the nine-month period, for comparable properties footfalls fell by 9% from 398 lakhs to 362 lakhs, occupancies have fallen from 31% to 28%. For comparable properties, average ticket price has improved by 1% from Rs.179 rupees to Rs.181 and for the nine-month period improved by 5% from Rs.172 to Rs.180. For the other revenue streams, food and beverage the spend per head in the quarter has improved by 6% from Rs.59 to Rs.63 rupees and for the nine-month period has improved by 8% from Rs.58 to Rs.63. The net contribution from food has improved from 75.6% in Q3 FY16 to 76.1% in Q3 FY17 as a result of which margins on F&B has improved by 7% from 44.86 in Q3 FY16 to 48.07 in Q3 FY17. For the nine-month period, the contribution from F&B has improved from 75.1% last year to 75.8% this year and therefore margin from F&B has improved by about 9% from 43.61 to 47.66 this year. Advertising revenues have shown very modest growth of 2% increase in the quarterly numbers from Rs.29.5 Crores going up to Rs.30.2 Crores and as I said we noticed a visible shrinking of advertising by key advertisers perhaps because of demonetization impact and hopefully that should get corrected in the coming months. For the nine-month period, advertising revenues improved by 5% from Rs 71.6 Crores to Rs 75.3 Crores. Other operating revenues improved by 11%. They were Rs 21.3 Crores in Q3 FY16 and have gone up to Rs 23.7 Crores in Q3 FY17. For the nine-month period other operating revenues improved by 3% from Rs 66.8 Crores to Rs 69.1 Crores.

On the cost side, entertainment tax has been virtually flat from 21.2% of GBOC last year, this has become 21.3% of GBOC this year, these are quarterly numbers. For the nine months FY16 21.3%, has remained at 21.3% nine months FY17. Distributor share on NBOC has gone up marginally from 45.1% this quarter last year to 45.7% this quarter this year and for the nine-month period it has again gone up marginally from 44% to 44.6%. This again has been because of indifferent content, shorter duration of films, and as you probably know the film distributor share for the first week is higher and therefore if the movies do not last for more than a week you end up paying a higher proportionate share in percentage terms. Other overheads for operating screen have gone up marginally, tracking inflation. Total other overheads for operating screen was Rs 38.3 lakhs in Q3 FY16, has gone up to Rs 40.1 lakhs in Q3 FY17 that is a 5% increase, and for the nine-month period Rs 116.6 lakhs, in nine months FY16 has gone up to Rs 122.6 lakhs in nine months FY17, which again is an increase of about 5%. In terms of the new properties that we have opened during the quarter, we have added three properties, 10 screens and about 2007 seats during this quarter and these include the Rajkot Reliance Mall, which was opened on 5th October 2016, which has three screens and 411 seats. DR Surat which was an existing property where we opened, on 15th October, one screen and 105 seats, and at Mumbai, Metro Cinema which we operationalized on 8th November 2016, six screens and 1491 seats. With this our total openings for this year in the nine months ended FY17; we have opened six properties with 26 screens and about 5,251 seats. Apart from the property openings, we have undertaken two major property upgradations. INOX Insignia at INOX Laserplex Nariman Point, which is built to be India's first Seven Star luxury movie watching experience. This has in-built superior technology, which includes laser projection for the first time in India, Dolby Atmos Sound and Volfoni 3D screens. Apart from the technology that we have built in this property, it is a luxury movie viewing experience with plush ergonomic recliners, exclusive menu by Master Chef Vicky Ratnani, stylish staff uniforms by celebrity designer Arjun Khanna, and butler on-call and other personalized service. We also launched our first IMAX screen at INOX at R-City Mall Ghatkopar, so those were the two key significant property upgradations we did. We now operate in 19 states, 57 cities that makes us one of the largest citywide footprint of multiplexes in the country, 113 properties, 446 screens and 1,13,291 seats. Our new screen pipeline includes about seven properties in this quarter by March 2017. The seven properties will have 33 screens and about 7986 seats and once these are open we expect to end the year with 120 properties, 479 screens, and about 121,277 seats. In terms of feasibility of this property pipelines for this current year, out of the seven properties four of them are completely ready to be operationalized, we are just waiting for some permissions to come and I think one of these four would actually be opened in the next couple of days itself and the other three would be opened during the months of February and March, so we believe there is a high degree of probability that these openings will occur by March. Post March 2017, we have already tied up in terms of signed agreements, another 76 properties, 411 screens and 75,928 seats and once this pipeline is implemented and obviously we are not giving a timeline to this, because it is very difficult to predict a timeline for such a large pipeline, but once this pipeline is implemented we will have 196 properties about 890 screens and about 1,97,205 seats.

Content pipeline going forward looks extremely encouraging. We have over the next few days two expected block blusters being released, there is going to be Raees, a Shahrukh Khan movie and Kaabil, a Hrithik Roshan movie, both are getting released tomorrow. In February, we have Kung Fu Yoga, a Jackie Chan movie. We have Jolly LLB 2, expected to do quite well, and we have Rangoon starring Saif Ali Khan, Kangana Ranaut andShahid Kapoor and directed by Vishal Bhardwaj. In March, we have Commando 2, Badrinath Ki Dulhania, and Sarkar 3 directed by Ram Gopal Varma and starring Amitabh Bachchan, which are expected to do quite well. In April, we have Jagga Jasoos directed by Anurag Basu and starring Ranbir Kapoor and Katrina Kaif. We have Fast & Furious 8, which is a 3D IMAX movie and we have Baahubali the Conclusion expected to be released on 28th April 2017. So pretty robust content pipeline with at least two or three pretty large movies getting released every month.

On the share holding information, our current share price is at about Rs.240 and our market cap stands at about Rs 2320 Crores. Key institutional investors as of December include Goldman Sachs, DSP Blackrock, Kuwait Investment Authority Fund, Birla Sun Life Mutual Fund, Morgan-Stanley, TATA Mutual Fund, Reliance Mutual Fund, ICICI Prudential, Aadi Financial Advisors, SBI Mutual Fund, and Sundram Mutual Fund. Share holding distribution as of December end, Promoters and Promoter group own about 48.7%, FIIs own about 14.93%, DIIs own about 16.64% that is up from 13.72% last year. INOX Benefit Trust, which is actually our treasury stock, is about 4.5% and the public/others hold about 15.22%. So that ladies and gentlemen is a brief snapshot of our operations. I now like to open the call for any question that you might have.

Moderator: Sure, thank you very much. We will now begin the question and answer session. Participants who wish to ask questions may press * and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to only use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Danish Mistry from Tata Mutual Fund. Please go ahead.

Danish Mistry: Hi sir good evening. Thank you for taking the time out to discuss the results with us. I have two questions; the first one is on your expenditure side. At this time we have seen the other costs and property rental and conducting fees go up by about 15% to 20% roughly Y-o-Y. If you just run us through, as to what were the reasons behind this?

Deepak Asher: Firstly, the number of effective screens operational have also gone up by roughly about 12%. In fact if you look at average screen in operation last year it was 376, it is like 416 now, so that itself is a 11% increase and therefore 11% of this expenditure going up would be attributed to new properties opening and then there would be a 4% to 5% inflationary impact of cost going up, so if you look it on a per screen basis, the costs have actually gone up by about 5%, which we consider to be normal.

Danish Mistry: Okay, so this will be average is it because your end of period Q3 FY16 was 430?

Deepak Asher: Yes, that is right. What we do is we average out the number of screens, depending on the number of days for which it is operational because screens get open on a week-to-week basis.

Danish Mistry: So this is the same for other cost as well.

Deepak Asher: That's right.

Danish Mistry: In terms of the advertising fee. If you could just run us through, you mentioned that because of the demonetization we had some advertiser pull back, so how is it being in January so far and in our conversations with advertisers what is coming up now and how do we see this kind of growing for us?

Deepak Asher: Well, our assessment is that during the quarter our advertising revenues could potentially have been around 10% higher than absolute terms than what they were and we do believe that because of the demonetization impact, the advertisers cut back expenses because they could not see customer spending happening to that extent. We hope and we expect that to be not permanent in nature and we are already seeing signs of advertisers coming back in January, I mean obviously not to the full extent, but I would assume gradually the spending would get back to what we expect it to be.

Danish Mistry: Have you seen signs that advertisers have accepted our rate increase, which we had done last year at this time?

Deepak Asher: It is a continuous process; it is not an event, so it is not as if it happens at a point of time. It is something that keeps on happening, so we are continuously churning our advertiser portfolio, shedding off the lower paying advertisers and adding the higher paying advertisers on an ongoing basis and that is the process that will continue as we go forward.

Danish Mistry: Just one more question if I may, regarding the cost, do we assume this kind of cost inflation going forward or do we assume this as a temporary phenomenon?

Deepak Asher: I think it would be reasonable to assume a 4% to 5% cost increase on a per screen basis going forward because of inflation.

Moderator: Thank you. We have the next question from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: Can you help me with how was the advertisement growth in October, November put together, because it will not be better on account of demonetization?

Deepak Asher: No, we do not have the numbers for the month and I am just now putting in the public domain, but as I say we do believe that our advertising revenues for the quarter as a whole could have been 10% higher than what they were, had it not been for demonetization.

Jignesh Kamani: I think we recently changed our strategy where the large part of the advertisement will be routed to Khushi agency, so then what would be benefit you can see accrue on account of the change in our strategy?

Deepak Asher: I do not think we would want to discuss specific contracts or specific items under the advertising banner.

Jignesh Kamani: But it will impact negatively or positively, because when I check with some of the industry sources they have a negative regards to Khushi, so since we are associated with them will it impact anyway on the advertisement growth rate for us?

Deepak Asher: As I said we would not wish to discuss specific contracts on this call. Obviously, we will do whatever is necessary to improve our advertising revenue on a global basis.

Jignesh Kamani: What was the volume decline in the advertisement? Will it be more than 15%?

Deepak Asher: Potentially, yes.

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

Vikram Ramalingam: I would like to talk about the food and beverages, the margins have been very good for this quarter, although we had heard reports of multiplexes giving higher discounts to more and more customers, so how did that happen and how are the margins higher than usual?

Deepak Asher: We have opened some premium refurbished properties with much stronger menu offerings, with higher value-added food items that have led to the expansion of the margins.

Vikram Ramalingam: My last question is regarding advertising again, it is actually even on per screen basis the ad revenue has increased despite the demonetization and you said that you believe it would have been much higher, had it not been for demonetization, but in the month of November when I and some of my colleagues when we went for a lot of movies there were virtually no advertisements at all. Does that mean that in this quarter the ad revenue came in chunk as in December probably around the time when the Dangal was released too much ad came whereas closer to the demonetization date and month it was lower?

Deepak Asher: First of all, a fact check, I do not think the advertising revenues have gone up on a per screen basis, they have gone up on an absolute basis by about 2%, but the number of screens have also gone up by more than 2%, and therefore there has actually been a slight dip on a per screen basis, so I thought I heard you say that they have gone up on a per screen basis as well, which is factually not correct. Having said that, it is difficult to respond to anecdotal situation where on a particular day or a particular show that you went and you did not see an advertisement, overall advertising minutes have gone down, no doubt, by roughly about 15%, but they still continue to remain fairly strong in relation to what we would have otherwise expected.

Moderator: Thank you. Next question is from the line of Sanjeev Hota from Share Khan. Please go ahead.

Sanjeev Hota: Thanks for the opportunity. I have just one question on this screen and property addition. In the last three or four quarters we have seen that from the start that from 89 screen now we are standing at around 59 screen addition for FY17, so when we see we have the visibility for the property or screen addition, how can we take it in our model?

Deepak Asher: First of all, again to correct the number while we had our outlook for March 2016 as 89 screens, we have corrected in June itself and we have provided an outlook of I think roughly about 60 screens in June 2016, so out of those 60 screens we will probably end up doing about 59 screens, so in that sense we are not very much off target.

Sanjeev Hota: At the start of the year when we say that this number of screen we are going to add, so what visibility does it give you to put a certain figure to number of screens for FY17 or FY18?

Deepak Asher: It is an assessment of what stage that property is in. For example, the civil shell is ready, we are already in possession, we are doing interiors, in some cases the interiors are completed and we are waiting for the permissions to come, so it depends on what stage it is in that we kind of put out in outlook. For example, when we are taking about 33 screens that we expect to open in this quarter itself, out of these 33 screens, about 20 screens are completely ready, fully fitted in, ready to get operationalized except for some permissions which are pending, which we expect to get over the next few weeks. For the others, again interiors are at fairly advanced stage and in one of them it is almost completed, so again it is depending on what the status of the interior fitments and the permissions are, we form an assessment of when we expect that property to be opened.

Sanjeev Hota: The biggest hurdle in the addition is coming in the permission part, delay in getting the permission?

Deepak Asher: In some properties yes, it is a mix. You cannot lay down a rule for that. In some cases, it is the developer who delays the construction of the mall, in some cases our own work gets delayed for reasons, which are beyond our control and in some cases it is permission that is getting delayed, so it is a mix of different things in different properties.

Sanjeev Hota: For FY18 what kind of visibility we have?

Deepak Asher: Again, we will probably share that in the next earnings call. We have not kind of put out an outlook for FY18 in terms of the property. But I think if you look at the track record we have been adding about 50 to 60 screens every year and we see no reason why that should not be possible for next year.

Sanjeev Hota: In the last quarter call, you have given a Capex figure of Rs 120 Crores. Now it has been revised down.

Deepak Asher: You could possibly look at Capex of roughly about Rs 2.5 to 3 Crores per screen going forward.

Sanjeev Hota: Okay. That is all from my side. Thank you.

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

Amit Kumar: Thank you so much for the opportunity Sir. My first question pertains to the trend in average ticket pricing. We have seen just 1% increase compared to a fairly healthy increase in spends per head and I think you mentioned that because you opened these in a couple of premium properties that have helped your spend per head as well as your gross margins. Why has that not impacted your ATP rate, and is there are any specific demonetization pressure on the ATP that you would like to highlight?

Deepak Asher: Again, it is difficult to exactly identify what happened because of demonetization and what happened because of indifferent content, but there were actually three things that were happening during this quarter. One is that yes, obviously demonetization led to curtailment in consumer spending at least for the first two to three weeks immediately after the 8th November, then of course there was indifferent content. A lot of movies that were expected to do quite well did not perform that well and hence we could not have increased ticket prices. Thirdly, of course, some of our flagship properties were under renovation. Like, few screens of Nariman Point were under renovation and therefore were not operational for all 90 days. Similarly some screens at R-City, Ghatkopar were under renovation and therefore few screens of our flagship properties were not operational for the full 90 days in the quarter also led to that average ticket price not growing as healthily as we would have expected.

Amit Kumar: My only point was, why is there a differential between spend per head versus ATP?

Deepak Asher: It is difficult to track that exactly. It is not as if one goes up by 5% the other should also go up by nearly 5%, it varies by a number of factors including content.

Amit Kumar: The reason why I am also asking is that couple of media reports indicated that spends per head were actually more under pressure, people who were coming to watch movies were unwilling to spend that much on F&B during that period essentially, which is why the variance in terms of ATP and spend per head trend is slightly down, that is why I asked?

Deepak Asher: Yes sure, but obviously the numbers are the numbers. I do not know where those media reports came from, but these are the numbers as they are.

Amit Kumar: All right. Quick one on this like-to-like occupancy. I just want to understand how you are calculating it. You seem to mention that your like-to-like footfalls are down 10%, but occupancy is only down from just about 28% to 27%. During the demonetization period were there any show cancellations also?

Deepak Asher: You hit the nail on the head. It is because of there being fewer shows in Q3 FY17 versus Q3 FY16, but that was not because of demonetization that is just because the length of the movies was longer and hence we had fewer shows per day.

Amit Kumar: My final point is in the other expenses with big renovations that you are doing to your Nariman Point and R-city properties, what would have been the expense with respect to these renovations in the P&L for the current quarter?

Deepak Asher: Because these were significant renovations they were all capitalized, so they did not hit the P&L.

Amit Kumar: I am just trying to understand this trend in other expenses it has gone up by 20% against 11% to 12% growth in number of screens that you mentioned, actually the inflation in this line item is higher than 4% to 5%, on a per screen basis goes to around 8% to 9% essentially, I would have thought this could be because of repair and maintenance?

Deepak Asher: There were some other one-off expenses. I do not have the details with me right now, but we can probably kind of share them with you offline.

Amit Kumar: All right. That is all from my side. Thank you.

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

Yogesh Kirve: Thanks for the opportunity. Regarding the property addition post FY17, at the end of the last quarter we had a figure for 56 and now we have a figure of 76, so to be sure this reflects increase in the new property sign up right?

Deepak Asher: Sorry, could you repeat your question.

Yogesh Kirve: I am referring to property addition post FY17. At the end of the last quarter we had a figure of 56 property additions, and now we have the figure of 76 additions.

Deepak Asher: So those will reflect new properties signed up.

Yogesh Kirve: Right, so those are new additions?

Deepak Asher: Yes, new property signed up.

Yogesh Kirve: It looks quite a healthy number, so that's why thought of asking. We are not highlighting or not given a timeline for the deployment, but we are confident of adding line 13 to 14 properties, so that will give us about 60 screen additions based on the current assessment of the economy and other things?

Deepak Asher: Sure, I think we should look at about 50 to 60 screen additions next year.

Yogesh Kirve: Right. Secondly, regarding Capex you said Rs 2.5 to 3.0 crore per screen, so that was up to like Rs 150 to Rs 180 Crores. I wanted to check has there been any change in our expansion or the mix of property in terms of the premium or normal for the last couple of months?

Deepak Asher: No. I think the blend remains more or less the same.

Yogesh Kirve: Sure. That is all from me. Thanks a lot.

Moderator: Thank you. The next question is from the line of Apurva Metha from KSA Shares & Securities. Please go ahead.

Apurva Metha: I just wanted to know your occupancy rate and the EBITDA margin. How are they linked and what can we assess from that? If you see today, the occupancy in nine months have gone down by 3%, but the margins have fallen by more than 6% to 7%, so can we assess that every 1% of occupancy decrease is impacting 2% of EBITDA?

Deepak Asher: Again, it depends on what level of occupancy you are, so if you are at for example less than 25% occupancy then you will probably end up being EBITDA negative, so you cannot put a thumb rule on that, but frankly speaking yes, EBITDA is most sensitive to occupancies. If we were doing occupancies of better than 30% then you would have a fairly high, more than 16% EBITDA margin. With the occupancies of 27% to 28%, we are down to 10% to 12% EBITDA margin.

Apurva Metha: Sir, another thing was that managed properties and footfalls which were there and we had revenue in Q3 of Rs 1.29 Crores. In that, we take the revenue to the full extent of whatever ticket collection is there?

Deepak Asher: No. In a managed property we only take the management fees as our operating revenue.

Apurva Metha: Okay. The box office collection in Q3 was really poor, total box office collection was close to Rs 900 Crores. For a long length of period we have seen that this between Rs 900 and Rs 1000 Crores only. Is this the benchmark now it is happening that the box office is not going up or the content which is there and the quality of content is bad or what is that, because the threshold limit of crossing the Rs 1000 Crores of total quarterly box office is not happening?

Deepak Asher: Where does the figure of Rs 1000 Crores of quarterly box offices comes from?

Apurva Metha: Whenever we have the total collection of the films, which are released and we total it up and this quarter it was around, English and the Hindi content only I am talking about, that was Rs 900 Crores, which was lesser than even the previous quarter also. So, that is not going up actually, in the last three to five quarters what we have seen is that the block buster movies are not coming or the flavor actually for this quarter was Dangal, otherwise you would have done much worse than that.

Deepak Asher: Okay, I would say two things. First of all, if you look at FY16 compared to FY15 what you are saying would not be correct because the box office collection in FY16 was significantly higher than the box office collection in FY15, really there was a growth in FY16. This year there has not been a growth and you are right, it has been virtually flat, but that I believe has largely been because of indifferent content. Again, in any four or five year cycle period you will have one year of extraordinary content and one year of poor content, and probably have two or three average years.

Apurva Metha: So this year will be judged as a poor content or an average content?

Deepak Asher: Based on the nine months I think it is quite poor. Hopefully, the next three months should make it better.

Apurva Metha: What is the content pipeline in FY17 and 18? What is your assessment? Is it better than what it was?

Deepak Asher: It is difficult to predict. Obviously content pipeline always looks very attractive on paper and nobody makes a movie unless he thinks it is going to do very well. At the end of day we have to see what it performs like. Again, we typically look at the content only for three months ahead at a time because it is difficult to look at what will happen in nine months or 12 months later.

Apurva Metha: Any measures to control cost or making sure that we can have some cost control basis that we can bring down our cost or something like that?

Deepak Asher: We are spending a lot of time and effort in order to make sure that we are able to reduce our operating cost, and what I will do is I will request Alok to take you through some of those.

Alok Tandon: It also includes doing a lot of activities where energy conservation is concerned. Whether it is having VFDs in our main air handling units or going in for LED bulbs, whether it is to have a proper BMS which is working in a unit, all those things have been looked at, apart from negotiating with all our bulk suppliers, so that we can get better rates from them.

Apurva Metha: What we can see going forward? This has been started when and when do these measures be effective?

Deepak Asher: It is a continuous process. It is not something that will happen at a point of time. Again, manpower cost also we are trying to rationalize, manpower allocation and improve productivity of people as well. A lot of things that we are doing to make sure that the cost would go down.

Apurva Metha: How is the response for this new 7 Star screen that we have in Nariman Point. How is the response and how are the current occupancies for Dangal?

Deepak Asher: I think the response has been exceedingly good. It has led to an improvement in our average ticket price by as much as 25% to 30%. It has led to improvement in F&B spends in that particular property by a fairly significant amount, occupancy numbers are quite good, so in that sense the overall brand image for INOX as a multiplex brand improves, which also leads to other benefits like better advertising revenues and stuff.

Apurva Metha: Going forward do you see this happening more, such that you will try to imitate these things going forward to other screens also?

Deepak Asher: Possibly, depending on the market and depending on what we think that catchment and market can take we could look at upgrading other properties as we are going forward.

Apurva Metha: Okay, thanks a lot and wish you all the best.

Moderator: Thank you. We have the next question from the line of Karan Taurani form Dolat Capital. Please go ahead.

Karan Taurani: Thanks for taking my question. Just wanted to check on the ad revenue part. You probably have devised a new strategy to grow your ad revenue, if you can throw some colour on that?

Alok Tandon: Yes, this we have been talking about and also we spoke about it in the last conference-call, a number of things we have done. Number one, we have got more feet on street now, we sit with the brand managers and devise particular activities together so we help them making their new ad or see how it can be interactive in our lobbies. We tell them the right profile of people because we have done an IMRB study, that is what is the profile of the people who visit our multiplexes and how should they target their audience, what should be the timing, what should be the duration, and how should they make the ads and make it more interactive, so that is something which we have started doing now. Apart from this, we have tied up with a few agencies and seeing to it that all the orders are routed through us or through them so that there is no discounting and that the rates are maintained and are fixed.

Karan Taurani: What component of your ads would be coming from agencies and by your own?

Alok Tandon: It is difficult for us to talk on a call, but to reduce our discounts and to have a fixed rates we have said that it should be only through certain agencies or with us directly.

Karan Taurani: Lastly, on the inventory front where do we stand now in terms of advertisement?

Deepak Asher: Again, those are not numbers that we typically share with on an absolute basis, but as I said the inventory has gone down this quarter because of the demonetization impact, which to some extent was compensated by improved rates and hence on an absolute value basis you saw the advertising revenues going up marginally.

Karan Taurani: So do you see the inventory moving up to those pre-hike levels of FY16, 15 minutes?

Deepak Asher: Yes, I believe they should.

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

Amit Kumar: Thank you. My question has been answered.

Moderator: Thank you. We have the next question from the line of Ankur Periwal. Please go ahead.

Ankur Periwal: Hi Mr. Asher, just trying to understand demonetization a bit more. Let us say, pre-November what sort of percentage audience was coming as through cash sales, which is essentially not by credit card or people doing online sales and how has this number moved over the last couple of months?

Deepak Asher: Your question if understand correctly is what portion of your payments was non-cash payments or digital payments?

Ankur Periwal: Yes.

Deepak Asher: If you look at the quarterly numbers for this year itself, Q1 was roughly about 43%, Q2 was about 44% and Q3 was 61%.

Ankur Periwal: So the other way to look at it is roughly 60% of people who were buying through cash, is there is a possibility that probably 20% of them has moved to digital now?

Deepak Asher: Yes, 34 and 9 is 43. Last year it was 40% digital payment and 60% cash payment, so that has now gone up to the other way.

Ankur Periwal: Fair enough. Secondly in terms of to attract more and more people towards either our apps or through bookmyshow is there is any incremental incentives that we are giving because there is some bit of competition and competition is offering some sort of combo deal or some cash back discounts or something, is it that we are doing as well for us?

Alok Tandon: No cash back for sure. Some combo deal or some free popcorn that is something, which we keep on doing regularly. Whether it is a ticket purchase by a person through app or rather directly at the cinema, some incentive or some program we keep on doing, but cash back surely not.

Ankur Periwal: Okay, fair enough. The loss in footfalls that we are seeing on a Y-o-Y basis looks like it is primarily the cash component, the cash people who have moved out?

Deepak Asher: Again, I do not know whether you would say the cash people have moved out or cash has moved to digital payment or it is just the content that has led to fewer people coming.

Ankur Periwal: Fair enough, great Sir. That is all from my side.

Moderator: Thank you. We have a followup question from the line of Mr. Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: No followup question per se, but I thought since there are no more questions probably we can close the call.

Moderator: Yes, actually we have one question that just came up that is from the line of Prasad Padala from Investec. Please go ahead.

Prasad Padala: Thanks for the opportunity. Do you see any differential impact in footfalls due to demonetization in metros and smaller towns?

Deepak Asher: Yes, there was, we have been impacted to some extent because of the demonetization particularly in the two weeks following the 8th November 2016 and this was perhaps uniform across small towns as well as large towns. As I mentioned it is difficult to pinpoint as to how much that was in quantified terms because it is a mix of content as well as demonetization.

Prasad Padala: Okay. My question was did you see more impact in the smaller towns than metros?

Deepak Asher: No, I think it was kind of fairly uniform across all areas.

Moderator: Thank you. That was the last question. As there are no further questions, I would now like to hand the conference back to Mr. Ankur Periwal for closing comments.

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

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