INOX LIVE the MOVIE

20th August, 2018

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 July, 2018. 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.

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"INOX Leisure Q1 FY2019 Earnings Conference Call"

July 24, 2018

ANALYST: MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED

MANAGEMENT: MR. DEEPAK ASHER - DIRECTOR AND GROUP HEAD, CORPORATE FINANCE - INOX GROUP OF COMPANIES

MR. ALOK TANDON – CHIEF EXECUTIVE OFFICER - INOX LEISURE

MR. KAILASH B GUPTA – CHIEF FINANCIAL OFFICER - INOX LEISURE

Moderator: Ladies and gentlemen, good day, and welcome to the INOX Leisure Q1 FY2019 Results 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 phone. 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: Thank you, Lizaan. At the outset, would like to thank all of you for dialing into INOX Leisure Post-Result Earnings Call for the quarter ended June 2018. As usual, the call will be initiated with a brief discussion on the quarterly performance, followed by an interactive Q&A session.

The management team is represented by Mr. Deepak Asher, Director and Group Head, Corporate Finance, INOX Group of Companies; Mr. Alok Tandon, CEO, INOX Leisure; and Mr. Kailash B Gupta, CFO, INOX Leisure.

Over to you, Mr. Asher, for your initial comments.

Deepak Asher: Thank you very much, Ankur. And on behalf of the management of INOX Leisure, I would like to wish you a very good afternoon and extend a very warm welcome to all the participants on this call. Happy to inform you that the Board of Directors has approved the quarter results for the company for the first quarter of FY '19. The results have been uploaded on the websites of the stock exchanges as well as the website of the company. And along with the results, as we normally do, we have also uploaded an earnings presentation.

And on this call, what I would like to do is walk you through some of the significant financial and operating parameters as contained in our presentation. And then of course, we will throw it open for any questions that you might have.

Coming straight to the key financial performance of the company, and in the comparison what we are doing is comparing Q1 of FY2019 with Q1 FY2018 as a Y-on-Y comparison. Revenue from operations increased from Rs.387.4 Crores to about Rs.414.9 Crores that is a jump of about 7%. EBITDA increased from Rs.75.9 Crores to Rs.83.5 crores that is an increase of 10%. Consequentially, EBITDA margins improved from 19.6% to 20.1%. PAT improved from Rs.32.1 Crores to Rs.37 Crores that is an increase of 15%. Consequently, PAT margins improved from 8.3% to 8.9%. So that is a brief snapshot of the overall financial performance. Revenue is up by 7%, EBITDA by 10% and PAT is up by 15%.

Our regular revenues comprised of four key revenue streams: there is box office, there is food and beverage, there is advertisement and there is other operating revenues. Box office revenues increased by 1.1% from Rs.239.2 Crores to Rs.241.9 Crores; F&B revenues improved from Rs.88.2 Crores to Rs.111.4 Crores; advertising income increased by 20% from Rs.33.4 Crores to

Rs.40.0 Crores, and other operating revenues fell by about 18.8% from Rs.26.7 Crores to Rs.21.6 Crores. As a result, the sum total of these four revenue streams improved by 7% from Rs.387.4 Crores to Rs.414.9 Crores.

The performance was largely driven by the movies that were released over the last quarter. And the top 5 movies for the Q1 FY2019 were Avengers: Infinity War, which saw footfalls of 21.07 lakhs and GBOC collection of Rs.51.07 Crores; Raazi saw footfalls of 15.86 lakhs and GBOC of Rs.30.03 Crores; Race 3, footfalls of 10.55 lakhs, GBOC of Rs.24.81 Crores; Baaghi 2 saw footfalls of 11.01 lakhs and GBOC of Rs.18.50 Crores; and Jurassic World: Fallen Kingdom saw footfalls of 8.74 lakhs and GBOC of Rs.17.23 Crores.

The sum total of top 5 movies at INOX for the quarter saw footfalls of 67.23 lakhs, which is roughly about 43% of our aggregate footfalls and GBOC of Rs.141.63 Crores, which is about 46% of our GBOC. In comparison, in Q1 FY 2018, the top 5 films accounted for 58% of footfalls and 63% of GBOC. And that is because we had one big blockbuster, Baahubali: The Conclusion, in Q1 of FY 2018.

Coming to the operating metrics. Overall footfalls fell by about 1.2% from 158.2 lakhs in Q1 FY 2018 to 156.2 lakhs in Q1 of FY 2019. Consequently, occupancies fell from 31% to 29%. And if you compare these numbers for comparable properties, that is properties that are operational in Q1 FY 2019 and in Q1 FY 2018, footfalls fell from 143.1 lakhs to 138.2 lakhs that is 3.4% drop. Occupancies fell from 32% to 30%.

Our average ticket price increased by 3.1% it was Rs.193 in Q1 FY 2018 went up to Rs.199 in Q1 of FY 2019. Comparable property average ticket price increased by 2.4% from Rs.190 last year to Rs.194 this year.

On Food and Beverages, spend per head increased by 17.2% from Rs.65 to Rs.76. Contribution fell marginally, but that is because of the impact of input tax credits not being available from 76.8% to 75.6%. Contribution in absolute terms improved from Rs.49.92in last year to Rs.57.46 this year, that is an increase of about 15%.

Advertising revenues, we continue to maintain our momentum of growth, increased by 20% from Rs.33.4 Crores in Q1 FY 2018 to Rs.40 Crores in Q1 FY 2019. And other operating income, as I mentioned, fell from Rs.26.7 Crores to Rs.21.6 Crores that is a fall of about 18.8%.

As far as the cost is concerned, distributor share increased slightly from 43.7% to 44.2% on NBOC terms or 34.5% to 34.7% on GBOC terms. This was largely because of the fact that service charge reductions, which were available in the pre-GST era, are no longer available. And hence, this led to a marginal increase in distributor shares.

As far as other overheads per operating screens are concerned, these were virtually flat, Rs.42.5 lakhs last year to Rs.42.4 lakhs this year per screen per quarter. And this was because while there was an increase in employee benefits by about 8.5% and property, rent and conducting fees by about 4.8% on a per screen basis with the corresponding reductions in CAM, Power & Fuel and Repairs and Maintenance by about 4.1% and in other overheads by about 3.4%. So that is a snapshot of our financial and operating parameters.

In terms of property pipeline, we already opened, in the first quarter, 3 properties, 12 screens and 2554 seats. And as we speak from the end of the first quarter until today, we opened another 2 properties with 8 screens and about 1,400 seats. As the result of which, total property openings, in this year, up-to-date, are 5 properties, 20 screens, and 4,036 seats. These include Mumbai Palm Beach opened on 8 May; Cuttack SGBL Square Mall, 16 June; Zirakpur Dhillon Mall on 29 June; Kakinada on 9 July; and Gurgaon Sapphire, which we actually opened earlier today.

As a result of these property openings, we now operate 128 properties with 512 screens and have been able to continue to maintain our momentum of growth by adding, on an average, about 8 screens every quarter, which is what we have been doing since inception. And therefore, our total footprint today comprises of presence in 19 states, 64 cities, 128 properties, 512 screens and 125,508 seats, which makes us, as you are aware, amongst the largest multiplex chains in the country.

Beyond these 5 properties and 20 screens that we've already opened, we expect in terms of pipeline of properties this year an additional 7 properties, 39 screens and about 6,543 seats to be commissioned by March 2019, which would mean by the end of this financial year, we would have about 135 operational properties, 551 screens and 132,051 seats open by this year. In addition, we already have tied up additional properties/ in the pipeline of about 118 properties, 757 screens and 135,506 seats, which would, once this entire pipeline is implemented (and this will obviously take more than a year), we will have about 253 properties, 1,308 screens, and about 267,557 seats. So that is the visible pipeline.

In term of content, we are already in the month of July here, Dhadak was released on July 20, has done quite well in terms of box office performance. And we expect Mission Impossible, MI 6, to be released later this week. That, also, is expected to do reasonably well. In August, we have Karwaan; Fanney Khan; Vishwaroop II; Satyameva Jayate; GOLD, which, by the way, we expect to do pretty well; and Yamla Pagla Deewana Phir Se in terms of pipeline coming up in August. In September, we have Drive; Paltan; The Nun; Predator, which is an IMAX release; Batti Gul Meter Chalu; and Sui Dhaga - Made in India, all releasing September. In October, we have A Star is Born; Ek Ladki Ko Dekha Toh Aisa Laga; and an Ajay Devgan-Luv Ranjan's movie, which is yet to be titled; Badhai Ho; Namastey England; and Mowgli, which is a 3D IMAX movie. So that is the content pipeline we foresee over next few months.

In terms of balance sheet data; the number of shares outstanding remains at about 9.6 Crores at the current price of about Rs.202.5, which leads to a market cap roughly of about Rs.1,953 Crores. Our key institutional investors remain what they were last quarter, with some very small minor changes. The Promoter & Promoter Group continues to hold about 48.70%; FIIs own about 17.61%; DII own about 17.70%; we have treasury shares held by INOX Benefit Trust, which is 4.51%; and the public holds about 11.48%.

So that, ladies and gentlemen, is the key is the order of some of the key parameters. I would like to open this for any questions that you might have. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Congrats on strong ad growth of 20%. My question is any particular category you want to call out in terms of strong growth? And similarly, any category which has slowed down? And are you also working on the analytics in terms of measurement because now it is a big size and clearly, the advertisers still ask for the ROA measurement, etc.? So that could be helpful. And do you expect the strong growth to continue because now your base is becoming a bit higher?

Deepak Asher: I think what is pretty obvious from the numbers is that while our box office performance continues to remain a bit flattish, essentially because occupancies are not going up significantly. In fact, they remain in the 29% to 31% range. There is usually a moderate price increase, which is largely inflation driven of about 5% to 6% per annum. And that, to some extent, subsidizes the impact of the occupancy not going up. But the key drivers of our profitability have been in significant increase in advertising revenues. And as you might recall, what used to be advertising revenues of roughly about Rs.4 lakhs to Rs.5 lakhs per screen per annum per quarter have now gone up to around Rs.8.24 lakhs per screen per quarter. So we have called out a couple of years ago that our focus was to ensure that this has a significant growth rate going forward. And we are happy to inform you that despite some delays in initial phase in achieving this kind of growth, we have been able to show a 20% absolute growth rate and about a 15% per screen growth rate on these metrics. And the same is very true for other operating revenue, during this quarter, we were not able to exhibit that kind of growth due to the some abnormal one-off kind of issue that there is. But I think these 2 are the key drivers of our profitability.

Abneesh Roy: For this 20% growth, how much will be the volume growth and how much will be the yield growth?

Deepak Asher: Given how much is because of the rate increase and how much is because of the minutes increase?

Abneesh Roy: Yes.

Deepak Asher: Well, again, we are not sharing that data specifically. But I think to a large extent, it will be a mix of both. I don't think I have that in front of me, but I think both the minutes as well as the rates have contributed to increase in advertising revenue.

Abneesh Roy: So my second question is related to what you just now said. You said occupancy is remaining in the 29% to 31%. The ATP hike for the like-to-like properties, only 2.4% versus historically, we have seen more like 5% to 6%. So is this because of the mix? Or you are deliberately trying to have a lower hike so that the occupancy levels can become higher? And for the full year, you expect 5% to 6% ATP growth?

Deepak Asher: Well, I think, yes. The second question first. Yes, we would expect a 5% to 6% ATP growth for the full year. I think the increase in this quarter would appear to be a bit subdued, also because remember, last year, this quarter, we have Baahubali, which was, in a sense, a blockbuster. And therefore, then it would not a fair apples-to-apples comparison. But yes, over a longer period, we would expect a 5% to 6% ATP improvement.

Abneesh Roy: And one question on Baahubali. Top 5 films this quarter are 46%, while in the base it was 63%. So I am seeing now this trend that now we have more number of medium-budget hits rather than a big blockbuster, at least last three four months, we have seen that. Is that what is leading to this data? Or do you think Baahubali is the reason for the 63% in the base for top 5?

Deepak Asher: Frankly, I think if your distribution of films is wider in the sense that the top 5 films contribute to lesser of in terms of footfalls and box office collections, it is better because that means you have more films doing well rather than depending on just 4 or 5 blockbusters in a full year. Now in other markets, the U.S., for example, if I remember right, the top 5 films contribute around 15% to 17% of footfalls in box office, which means they are not dependent on the contents being driven by just 4 or 5 releases, which if they fail to do well at the box office, there is a washout. So it is better that you have the success of movies distributed widely amongst more movies rather than concentrated over a couple of titles.

Abneesh Roy: That is all from my side. Thank you.

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

Urmil Shah: Congrats on the strong performance on F&B as well as ad. I had a follow-up on advertisement growth. For the rest of the year where at least the expectation of this late is very strong and we won't have the base impact I think this quarter. Should we expect that the ad growth to accelerate from the number it is in Q1?

Deepak Asher: Well, it depends on what you mean by accelerate. As I kept on saying, it is difficult to predict an exact number. But we do expect the momentum of growth to be maintained. And hence, if you mean by accelerate that the growth rate itself will go up, then maybe it would not. In fact, as Abneesh pointed out in the previous question, if the growth rate itself might be moderate because now we have a higher base, but certainly, the growth momentum will be maintained going forward.

Urmil Shah: Sure. Good to see a good screen addition YTD. And you are also increasing the target for FY 2019. Last quarter, you had said that you are being ultra conservative in giving out those 55 screen number. So should we expect that as the execution continues, there is an upside to the number you have given in this quarter as well?

Deepak Asher: Yes. We maintain that. Our internal targets are much larger than this. But before, it might be better to under promise and overperform rather than the other way around.

Urmil Shah: Thanks and all the best.

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

Yogesh Kirve: Thanks for the opportunity. This is regarding the F&B issues in the State of Maharashtra. So Maharashtra government in the Bombay High Court had stated that it was asked to come out with the policy after the discussion with the stakeholders, including the multiplex operator. So I just wanted to know have there been any discussions with the Maharashtra government on these issues?

Deepak Asher: Yes. Actually, we have been called for a meeting with the Home Department under which jurisdiction the cinema business falls. And we have submitted to the government our suggestions around this issue. We have also filed our contention, our legal contentions before the High Court and we expect that this proceeding also to conclude shortly.

Yogesh Kirve: Right. And so in the meanwhile, what is the policy, if it has been adopted by the multiplexes as of now, I mean, regarding allowing the outside food, because anecdotally we know at least a few instances where outside food has been allowed by some of the top 2 or 3 chains in the country. So if you could comment on that.

Deepak Asher: Sorry, could you please explain that? You said that you know about the top 2 or 3 chains in the country allow outside food?

Yogesh Kirve: No. Anecdotally, we are aware of at least 1 or 2 instances where outside food had been allowed. I do not know how, widespread this practice is, so I wanted to know. So what is the policy, which has been agreed by the top chains?

Deepak Asher: Okay. I cannot talk on behalf of all of the top chains, but what I can do is talk on behalf of INOX. Our stand on this is what the rules and the regulations are silent. And therefore, they do not expressly permit or do not expressly prohibit as far as outside food is concerned, but internally, our policy has been that we do not allow outside food to be brought in. For a variety of reasons, some of which are legal, some of which are commercial and some of which are also related to the safety, security, health and hygiene. So that continues to remain our stand. In exceptional circumstances, we might make an anecdotal exception. For example, there is an extremely aged person or somebody who clearly needs outside food because of health reasons. But that is more of an exception rather than a rule. As a general rule, outside food is not permitted. And this, again, is something, which is true of this business model not only in Maharashtra, not only in

India but across almost anywhere else in the world, you will find the cinema's place such restrictions on various grounds, including legal, commercial as well as safety and security. And this, again, as I said, is something that has evolved as a business model not just for cinemas, but even, for amusement parks, entertainment centers, sports stadiums, circuses, drama theaters and other similar entertainment options.

Yogesh Kirve: Sure, appreciate that. Lastly, your capex, what sort of capex can we expect for FY 2019, especially on the upgradations and the maintenance side of the capex?

Deepak Asher: So now, our budget for the next year, as I mentioned to you, we expect to open, going forward, about 40 screens from now till the end of March. This would entail very roughly an extra capex of roughly about Rs.3 Crores per screen. So that will be about Rs.120 Crores for Greenfield screens. And then we have a budget of roughly about Rs.30 Crores for our renovation capex, which means a total capex of about Rs.150 Crores.

Moderator: Thank you. The next question is from the line of Palak Mody from Mangal Keshav. Please go ahead.

Palak Mody: Good afternoon Sir. I wanted to ask the same thing as to your views on state legislation allowing on the food inside multiplexes. I heard that already, but I wanted to know what would be your counter if they did pass this legislature, like if your request has been denied? If they allow, then the dual pricing policy that is also being in the news?

Deepak Asher: Okay. So first, let us get the facts right. And then of course, we can debate as to what could happen and what our reactions would be. There is no order by any High Court, much less the High Court of Bombay and I feel the need to clarify this because there are some people who have the impression, some media outlets have reported that the court has already passed some order to this effect. So let us get that cleared. There is no order passed by the court.

Palak Mody: Yes. I know there is no order passed. If there was, do you already have a plan against it? I mean?

Deepak Asher: . But what I would also like to say that there is no law passed by the government yet on this subject. And this, again, is contrary to public perception that the government has already allowed outside food to be brought in or some rule or regulation has already been passed. It has not. Yes, our minister has made a statement in the assembly, but that is yet to be legislated. And this, as far as we know, till this point of speaking it is not been legislative. Again, to be honest with you, I would not want to indulge in a speculative discussion on what we will do if this happens and what we will do if that happens because we have to see what will happen. We will have to examine what our options are depending on what has happened. And then, I am sure or I can assure you, that we will do whatever it is in the best interest of the company, its business and its performance.

Palak Mody: Thank you Sir. That is all from my side.

Moderator: Thank you. We will move on to the next question. That is from the line of Darpan Thakkar from HSBC. Please go ahead.

Darpan Thakkar: Thanks for the opportunity. SPH has increased by 17.2% that is a sharp jump. So is there any particular reason behind it? And what is the comparable spend per head for the last year?

Deepak Asher: The SPH has increased. And again, there could be 2 reasons for this increase or rather 3 reasons for this increase. Now again, we are not sharing with you right now what the break of each of these reasons could be. But I just wanted to mention that this increase could have been because of 3 possible reasons. One is a greater conversion rate. So even if there is no change in prices or there is no change in the product mix. If more people who visit multiplexes buy food, then the SPH will increase. So if you had a conversion rate of, say I am just giving you an illustrative number 20% earlier and 25% now, that would lead to an increase in SPH. The second reason for an SPH increase would have been, if you have product mix in a sense, changes to something that is more inferior of higher-priced items rather than lower-priced items, even though you do not have a price increase, your SPH will increase. For example, instead of your standard pack being at Rs.150 popcorn, if more people buy the Rs.250 popcorn, then your SPH would increase even though the prices are both those packs were Rs.150 and Rs.250 in both these quarters. And the third will be if there was a price increase. Now again, there would probably be any price increase based on inflation. But I just wanted to clarify that the 17% increase is not necessarily as what normally would have been led by the price increase, but a mix of all these 3 parameters.

Darpan Thakkar: Comparable numbers for this in the last year?

Deepak Asher: For FY 2018, the comparable SPH that is for our comparable properties, right? It is 64 to 74, which is 16% increase.

Darpan Thakkar: Thank you.

Moderator: Thank you. The next question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: Good evening. Congratulations for good results. My first question is about the advertising part of the business. It seems to be doing well. Can you give us some idea in terms of which are the corporate and the government kind of pockets from where you are getting this demand? I mean, is it possible, you are giving some more light on this and how sustainable it is. Do you see any correlation with the ad pick up in general, etc? If you can give more color on this.

Deepak Asher: Well, I frankly, giving more information in terms of who are the key advertisers and what kind of channels of advertisers we have would, unfortunately, be competitively sensitive.

Jigar Shah: I mean, not company names sectors.

Deepak Asher: Yes. Again, that also would be sensitive to divulge in a public domain. We have given, I think, in the presentation a list of brand associations. So that will give you a fair kind of flavor of who the key advertisers are in terms of brand. But I do not think we can kind of discuss the growth strengths in each of these sectors or brands, specifically.

Jigar Shah: Okay. On the recent controversy about bringing food from outside, etc., one of the point that is being talked about is that cinema exhibitors are charging more than the MRP. So on this I mean do you see any issue? Is this correct? And if there were to be changes made in that, would that lead to any contraction in the profitability that is direct, that 75% gross margin that you and your peers are earning?

Deepak Asher: Okay. So first of all, to clarify, the MRP law applies to prepackaged commodities. Prepackaged commodities constitute a very small part of the F&B revenues. We do not break the MRP law, which means that our prepackaged commodities are sold at the MRP, and have been sold at the MRP historically, and will continue to be sold at the MRP. And hence, while there is no violation of law, to answer your question, there would not be a contraction of the revenue because that is something that we have always maintained. So frankly, this whole issue of MRP, to some extent, is overblown because it applies to a very small portion of our entire menu.

Jigar Shah: That is very good to know. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Swanand Kelkar from Morgan Stanley. Please go ahead.

Swanand Kelkar: Just one question. You mentioned that you have submitted a list of recommendations to your Home Department under whom this falls. And that you also filed your legal stand on the PIL, which has been filed. Can you just outline some of the recommendations and what is your legal stand on the same?

Deepak Asher: No. Frankly, I think since the matter is subjudice it might be better not to discuss at this point of time. We will have to wait for the eventual decision of the government and the court before we can talk specifics. But obviously, our stand would be very similar to what we believe is the current business practice, which is, in our view, completely compliant with the law. And hence, not to change that.

Swanand Kelkar: Okay. So I understand that, but have the power that we been receptive to what you have been saying? So has there been a good hearing into what your stand side of the argument has been?

Deepak Asher: Well, yes, I do believe that they have heard us. And they, in a sense see our point of view. But eventually, what will be decided is something that only the future can tell.

Swanand Kelkar: Good luck, thanks.

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

Amit Kumar: Thank you so much for the opportunity. Just a quick bunch of questions. There is a very steep declining other operating income, if you can just help us understand what happened there in this particular quarter?

Deepak Asher: So essentially, 2 components of the other operating income fell down. One was the VPF revenues which fell because there was a sunset clause on Hollywood releases. So that portion of that revenue will not happen going forward. And secondly, earlier in the pre-GST regime, we had an entertainment tax exemption and the refund under our exemption scheme was accounted for over here. But now that is, in a sense, subsumed in the GST cost. And hence that ET subsidy, which was I think about, the delta on that is 2.5 Crores, that also will not happen going forward.

Amit Kumar: So just given the fact that the GST transition has happened from 2Q onwards, we did not sort of see this impact in the previous 3 quarters. Any particular reason why that is there I mean in the previous 3 quarters, your other operating revenues had grown very marginal, but still, we have seen an increase? Any reason why this is sort of hitting us this time around?

Deepak Asher: Well, frankly, the ET subsidy, in a sense, had vanished earlier as well. But what happened was it got subdued or it is subjugated by the higher increase in convenience fees that we charge from our electronic ticket vendors. Now, of course, that increase has, in a sense, stabilized. And hence, you see the dip because of the ET subsidy going away.

Amit Kumar: Understood. Then Sir very very quickly we had with the Jurassic World: Fallen Kingdom release, we had some sort of an issue with our new content partner with the Hollywood studio in terms of the IMAX release, that also as per trade estimates have impacted collections around Rs.20 to 30-odd Crores. If you could just highlight what happened there and sort of what is really going on, on that side?

Deepak Asher: I request Alok to take that one.

Alok Tandon: Well, nothing at all. The movie ran in IMAX, and we have no issues at all with the content provider.

Amit Kumar: I mean, there was 1 film which did not sort of see an IMAX release, and there was an issue in terms of they would sort of saying something in terms of sharing of revenue or something of that sort, either higher revenue sharing or I am not sure what exactly.

Deepak Asher: No. Not at all. All movies, which were to be released in IMAX were released in IMAX.

Amit Kumar: Okay, understood. Final one from my end Sir, and you always see Hindi, English and regional sort of breakdown in this particular quarter?

Deepak Asher: So in this quarter, Hindi was 61%, English was 20% and Regional was 19%. Just to give you a flavor in comparison for FY2018, again Q1, Hindi was 66%. So in that sense, it fell from 66% to

61%. And that is largely, there was English, which was 14%, increased to 20%, essentially because of Avengers; and Regional, which was 20% remained at around 19%.

Amit Kumar: All right. Understood Sir. I have just one final point. I know this is still in the realm of theory and in this entire F&B issue. But one of the elements that you sort of looking at here is that, I mean, people any which way sort of go out and pay higher-priced F&B in a mall of in settings where they can any which ways bring outside food as well, right? So the question that we were sort of grappling withis that where is that price-sensitive audience or what is the share of so to see the price-sensitive audience in this business? And one of the elements there was Monday to Thursday, the pre-evening footfalls, that is where you really have the audience which sort of wants to come to our multiplex but at a lower price point. Would you have any sort of data offhand on what proportion of your total footfalls would be contributed by that audience set?

Deepak Asher: No. Well, I do not have the data offhand. But you see the issue is not that I mentioned just a commercial issue, the issue of allowing outside food to be brought in is also an issue which has to do with safety and security and there have been instances in the last 15 years, I can think of at least 3 instances where articles of danger, of imminent danger, potential dangers have brought in the guise of food, in tiffin boxes and water bottles, etc. There have been some deaths and several injuries reported because of this kind of incidence and so I think that is a very important consideration that these to be kept in mind before, a policy is formed on this. Therefore a decision is taken on this because as you know, multiplexes have about a 1,000 people sitting at any point in time. And the last thing you want to do is for them to be setting duck targets for any threat of this kind. These are family entertainment centers. We want them to be family entertainment centers. And therefore, we also would want to guard against the danger of alcohol or drugs or any other such abuse substance being brought in, in the guise of food. And lastly, of course, there are question of health and hygiene. We serve what we believe is top quality food. And if you allow people to bring in whatever they want to, there is also, in a sense, a sacrifice on the overall consumer experience of not just those people, but even the other patrons who are not bringing in outside food. So we need to balance all these things before the government takes a final policy decision on this.

Amit Kumar: All right. Understood. I just noticed you had crossed 500-screen milestone and that is a pretty big milestone for the company, socongratulations on that. That is from my end.

Deepak Asher: Thank you very much.

Moderator: Thank you. The next question is from the line of Manish M from Bonanza Portfolio. Please go ahead.

Manish M: With this current EBITDA margin of, of approximately 20%. Is it sustainable or going to decrease as we have increased our screens and all that doing with Capex?

Deepak Asher: No. I mean, frankly, why would it reduce? The EBITDA margin is not only sustainable, but we would also expect it to improve if is our drive towards improving advertising and other operating revenues increases. And also, as you open more screens, the common corporate cost would be shared by the higher number of screens and hence, there will be some element of operating leverage that will also kick in. So clearly, the EBITDA margin is sustainable. And in fact, the goals would be to try and improve that.

Manish M: Sir current net debt as of now, even in the books?

Deepak Asher: Sorry?

Manish M: Current net debt on the books as of now?

Deepak Asher: Current debt if I remember that would be roughly about Rs.280 Crores of but that is not the net debt, that is a gross debt versus that we have cash on the books of about roughly Rs.50 Crores. And we have treasury stock, which is quasi-cash of roughly about Rs.90 Crores. So there is about Rs.140 Crores of cash / quasi-cash versus Rs.280 Crores of debt.

Manish M: And Sir what about the capex that you are doing? It is from internal accrual or mix of internal or that and how much is the percentage share of each?

Deepak Asher: Well, as I mentioned to you, the capex anticipated for the next nine months would be roughly in the tune of about Rs.150 Crores, Rs.120 Crores for Greenfield properties and about 30 Crores for renovation capex? And it would be safe to assume, this would be funded roughly about.65%, 35% debt equity. And hence, roughly about Rs.100 Crores of debt versus about Rs.50 Crores to Rs.60 Crores of equity, which would be funded through our accruals.

Manish M: Thank you Sir. That is all from my end.

Moderator: Thank you. The next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.

Jay Doshi: Thanks for the opportunity. This is regarding the F&B issue again. The stand that we understand are based on what we have seen on the TV is that government seems to have taken that Maharashtra Cinema Regulation Rules, 1996, does not mention or sort of prohibit outside food. And like you rightly mentioned, it is, either way, they have not allowed as well as there is no provision for disallowing as well. Now, what is the current regulation or rules for the other important states for this industry? Would rules for Delhi, Karnataka, Tamil Nadu be very similar? Or there is a clause, which sort of clearly says that outside food should not be allowed?

Deepak Asher: As far as I know, in almost all the states, almost all of them except one. But in almost all the other states, the rules are exactly like they are in Maharashtra, which means there is no specific mention either for allowing or for prohibiting outside food from being brought in. And hence, our view is that unless the law specifically prohibits something, you have constitutional right to carry out business in a manner that you choose to, except that as long as it is legal. So that has been our contention. The only place where there is a change I believe is in Delhi where because of the fact that there was 2 bomb incidents in fact in Delhi, there the Cinema Regulations themselves have specifically provided that outside food, tiffin boxes, water bottles, etc., will not be allowed and have instructed us to do so as a part of the licensing condition. But as I said, except for that, which was related to that incident, the all other states are virtually identical on this aspect.

Jay Doshi: Understood. That is very helpful. The second one, a follow-up on the same thing is, what is the way forward? So let's us assume that you are able to reach an understanding or negotiate or able to convince the state government in Maharashtra, but then that does not stop other governments to take a similar stand and it will consume a lot of management bandwidth and resources to sort of try and explain the same arguments to every single state. On the other hand, if this matter sort of proceeds in the court? And if you get a favorable ruling from the High Court, will that sort of apply to all the other governments as well, that ruling? Or that litigations or different governments can still happen?

Deepak Asher: Well, as far as I know, based on my knowledge of the law, if the Bombay High Court passes a certain ruling, that has a strong persuasive impact on other States, but not binding impact. So the high courts are free to take decisions based on their own understanding of the law and their own interpretation of the law. But the fact that Maharashtra on the virtually similar rules has taken a certain call or judgment would have, as I said, a persuasive impact. Now, we, ourselves are discussing this internally with other advisors on how can we solve this problem in a more enduring fashion and also in a manner that covers a wider geography. Obviously, I cannot discuss our strategy with you. But we are ceased of that issue. And we are looking at several options to try and address that issue at a wider scale and for a more durable long-term solution.

Jay Doshi: Thank you so much and wish you the very best for this.

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

Rohit Dokania: Good evening. Thanks for the opportunity. The bulk of the questions have been asked just one continuation to the previous question. So let us say if nothing has been told by the courts over the next sort of a week or 10 days and as the minister had said in the ministry that from August 1, people can carry outside food at least in Maharashtra, do you foresee a sort of a law-and-order problem? And if yes, would you be sort of trying to approach the courts in a hurry and try to get a stay order on something of that sort?

Deepak Asher: Well, there is no stay order to be served at this point of time because, as I said, there is no law that has been passed, no rules that have been passed, there is no clarification, no circular, no notification, no instruction, nothing at all. So despite that statement of the Honorable Minister in the assembly, a mere statement does not make the law, is what we have been advised. So unless there is something specific and proactive done by the government, I do not think that August 1st deadline will come into play. If something is done, I mean, that is again a hypothetical question, we will examine what the options are depending on what exactly is done and how we can react to that.

Rohit Dokania: So suffice to say that probably, you will have to will you sort of look at increasing the security at the multiplexes, how it is versus now since from August 1?

Deepak Asher: Well, again, it is speculative. We do not know how the situation will emerge. We will do whatever is necessary to protect our property, our patrons and to safeguard the interest of our customers. If that is one option that we need to exercise, then we will. But I am not sure we have reached that stage yet.

Rohit Dokania: Obviously I appreciate that, sure, thanks sir.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: I understand that it will be difficult to estimate, but is there a timeline to the whole thing? By which time do we expect this to get sorted out in the sense that is the court taking this issue as something, which need to be dealt with in a hurry? Or do you think it can drive on for quarters? Because of the coming election, this being a popular issue, our politicians and people might get dragged beyond, say, this fiscal?

Deepak Asher: No. Frankly, we cannot predict a timeline to this because it depends on 2 things, both of which are beyond our control. How far the court matter is argued before the court and how much time the court takes to come to a judgment and how much time the government takes to form a policy on this and announce it. So frankly, both those are not in our control. And hence, I do not think we can put a timeline to this. Just as we need to continue our business as we are. And if anything comes up that hinders or impacts our business or causes any kind of disruptions, then we will take whatever action is required to protect that.

Amish Kanani: Thanks and all the best.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for their closing comments.

Deepak Asher: Well, once again, thank you very much for your interest. And we hope we do continue going forward as well. That is it from our side.

Moderator: Thank you. Ladies and gentlemen, on behalf of Axis Capital, that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.