

8th August, 2022

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

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No C/1,
G Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

Scrip Code: 532706

Symbol: 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, 3rd August, 2022.

A copy of Transcript of conference call held with the Investors/Analysts is enclosed herewith and the same is also being uploaded 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



Vishav Sethi
Company Secretary & Compliance Officer

Encl.: As above





“INOX Leisure Limited Q1 FY23 Earnings Conference Call”

August 3, 2022



**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 FY23 Earnings 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 phone. 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 sir.

Ankur Periwal: Thank you, Renju. Good evening friends and welcome to INOX Leisure Q1 FY23 Post-Result Earnings Call. 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. Alok Tandon – CEO, INOX Leisure Limited and Mr. Kailash Gupta – CFO, INOX Leisure Limited. Over to you Alok ji for the initial comments.

Alok Tandon: Thanks a lot, Ankur. Hi, everyone, and a very good evening to all of you. I am Alok Tandon and I have my colleague, Mr. Kailash Gupta, who's the CFO of the company. I welcome all the participants on this call and this marks a very-very special quarter for us. Our board has approved the Quarterly Results of Q1 FY23 and the same has been uploaded on the website of the stock exchanges and the company's website.

Today is indeed a euphoric moment for all of us as we have reported our best-ever quarterly performance in our history and what better quarter than this, when we are celebrating 20 years of our glorious existence. What makes it the most cherished is the fact that it has come after two years of rigorous turmoil, two years of resilience, two years of probably the toughest professional challenges our teams would have ever faced.

Friends in the last two years, we kept talking about being resilient, being transparent, being forthright with our stakeholders, and went about a task of holding fort. We were backed by the strong belief that we will make a comeback, and here we are celebrating our best-ever quarter. We are indeed grateful to all our stakeholders, including all of you, who have always wished the best for us through thick and thin and have stood with us strongly.

From being totally shut few months back to reporting our highest ever box office collections, our highest ever revenue, F&B collections, EBITDA, PAT and ATP. It has been nothing but sort of a miracle.

In Q1 FY23, we have the highest ever quarterly total revenue of Rs. 589 crore, the highest ever quarterly EBITDA of Rs. 130 crore, and the highest ever quarterly PAT of Rs. 74 crore. In Q1 FY23, we had the highest ever quarterly gross box office and F&B collections. We have the highest ever quarterly ATP of Rs. 229.

Today, we have a very strong liquid position and as of 31st of July 2022, we had Rs. 250 crores in cash and cash equivalents. We are the only national chain that is net-debt free and to top it all, we launched INOX Merchandise in the quarter which has just gone by.

Today when I look at the other numbers and if I compare it with Q1 of FY20 and I will do a comparison with Q1 of FY20 as we all know that FY21 and FY22 as washouts. The revenue of Rs. 589 crore which we clocked in this quarter was an increase of 19% as compared to Rs.496 crore in Q1 FY20. EBITDA is at Rs.130 crore which is 41% increase as compared to Rs.92 crore in Q1 FY20 and PAT has increased by 80% to Rs. 74 crore from Rs. 41 crore in Q1 FY20.

We had 184 lakh footfalls in Q1 of this financial year, which is a 6% increase as compared to 173 lakhs in Q1 FY20. Our occupancy is at 29% as compared to 30% in Q1 FY20. Our ATP is at Rs. 229 which is a 16% increase as compared to Rs. 198 in Q1 FY20 and SPH is at Rs. 96 which is 19% increase as compared to Rs. 81 in Q1 FY20.

When we compare Q1 FY23 with Q1 FY20 on per screen basis, we can see where our costs are concerned, we have seen a decrease in various parameters. We have really controlled our costs and I would say that is nothing short of phenomenal, what we have done with our cost control.

Employee benefits expenses, which include agency manpower has gone down from Rs. 69.3 crore in Q1 FY20 to Rs.59.1 crore in Q1 FY23 and if I look at this on a per screen basis, it has reduced from Rs.12.7 lakhs per screen to Rs.9.1 lakhs per screen respectively, which is a 28% reduction.

Talking about power and fuel and R&M expenses they have increased from Rs. 43.3 crore in Q1 FY20 to Rs.48.7 crore in Q1 FY23 as we have opened more screens in the last two years, but if I look at the per screen basis, it has reduced from Rs.7.9 lakhs per screen to Rs.7.5 lakhs per screen, which is a 5% reduction. Rent and CAM again as we have added more screens has increased from Rs.91.5 crore in Q1 FY20 to Rs.122.5 crore in Q1 FY23. On a per screen basis, it has increased from Rs. 16.7 lakhs per screen to Rs.18.9 lakhs per screen, which is a 13% increase. This 13% increase is in line with the escalation mentioned in the various agreements that we have with our landlords. Other overhead has gone down from Rs.37 crore in Q1 FY20 to Rs.33.1 crore in Q1 FY23. On a per screen basis, it has reduced from Rs. 6.7 lakhs per screen to Rs. 5.1 lakh per screen, which is a 24% reduction. Our distributor share percentages for Q1 FY23 and Q1 FY20 are similar, but our F&B contribution has shown a great improvement. F&B contribution has increased from 75% to 78% for Q1 FY20 as against the number of Q1 FY23 respectively.

In terms of shareholding structure, as on July 29, 2022, FIIs owned about 17.51% of the company, the DIIs owned 24.90%, promoter and promoter group held 44.04% and public and others own 13.57% of the company. The share price as on July 29, 2022, was Rs.591.65 which gives the company a market capitalization of approximately Rs.7,238 crore. We have opened three properties 17 screens, with nearly 3200 seats in Q1 FY23. We opened AIPL Joy Street in

Gurugram with six screens. Sattva Necklace Mall, Hyderabad with seven screens, and we opened a four-screen multiplex in Orchid Mall Gulbarga. At present, we are operational in 18 states and one Union Territory present in 73 cities, have 163 properties, 692 screens and approximately 1.55 lakh seats.

Based on the agreements already signed, I am happy to share that beyond FY23, we have signed up to the extent of nearly 117 properties, 834 screens and 1.52 lakh seats, which ones when the entire pipeline is fully implemented we will have 293 properties nearly 1600 screens and 320,000 seats. In Q1 FY23 we had four blockbusters, namely KGF2, Vikram, Bhool Bhulaiyaa, Doctor Strange in the Multiverse of Madness, and also we have the overflow of our RRR. We are delighted to inform you that we have a healthy lineup of movies already waiting for release. We have an extremely rich pipeline with movies of all genres and languages in August, September and October, like Bullet Train, Lalsingh Chadda, Raksha Bandhan, Liger, Brahmastra, Vikram Vedha, Ram Setu, and this just to name a few. There are so many more such movies for which you can refer to our earnings presentation. As far as the CAPEX is concerned in FY23, we have planned to open 77 screens and we have already opened 17 out of that 77. I am very sure that we will be able to open the remaining 60 in this financial year itself and all the CAPEX for the screens that have already opened and for the upcoming screens are being funded through internal accruals.

I would also like to reiterate, that our liquidity position is very strong as on July 31, 2022, we have Rs. 375 crore with us, which includes undrawn limits of Rs.125 crore. Alternatively, as we always say, INOX own six cinema properties and a head office and as to the market valuation, if required, we can raise close to Rs.400 crore by doing a sale-leaseback of these properties. As of 31st of July 2022, we have a gross debt of approximately Rs.81 crore.

Regarding the merger of INOX Leisure Limited and PVR Limited, we have got NOCs from BSE and NSE and I would like to also inform you that we have already made an application to NCLT for the merger.

So, this was a brief description of the quarter gone by, and Kailash and I will be very happy to take any questions from you.

Moderator:

Thank you. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy:

Yes, thanks, and congrats on the 20 years and record-breaking performance. My first question is on the Telugu market standstill it may not be impacting you too much but want to understand what is your thought process on the current status there and can other markets also face a similar issue because I think the issues are common right that the salary structure or the reward structure for the stars is extremely skewed in their favor. Second, the exclusivity window with OTT is again a common issue across all markets and third of course after the record-breaking Q1, we

have seen box office performance really weak across most markets. So, do you think other states could also see similar issue, other languages could see other similar issue.

Alok Tandon:

So, Abneesh, let me tell you that what we have come to know that production has already started in Telangana and in Andhra Pradesh where Telugu movies are concerned. It is an internal issue between the Telugu producers and their stars that they want the remuneration to reduce and they are also looking at other ways of controlling costs where production is concerned. Your question is will it go to other parts of the country? I don't know, its anybody's guess but I doubt it will happen. That is what my personal opinion is. When you talk about box office going down in this quarter. Yes, some movies have not done well, but that is a blip. It happens every time it happens in every quarter and not all movies are supposed to be super hit. So, as I said that the lineup looks mouthwatering in August and September. We could have I won't use the word good but I am very-very confident that we will have great numbers when the movies released like Bullet Train, Lal Singh Chaddha, movies like Raksha Bandhan all those things which I spoke about in my opening statement. We are looking forward to lots of other movies even in Q3 like Ram Setu. We are looking forward to Thank God which is coming. We are looking to see Ghost in Telugu and Godfather in Telugu so the lineup with its Q2 or Q3 looks absolutely good Abneesh.

Abneesh Roy:

Right and second related question is the poor performance in the past few months after a blockbuster Q1. Do you think there is only content or ticket pricing is also a challenge or because if content was bad then there is a pushback because the family of the customers would have paid a lot of money. So, they take a call that let us wait on the OTT or let us first wait for the positive review on social media on the movie. What is the remedy because again and again same thing is happening content cannot be the only thing right ultimately, some content has to be good now, multiple movies have not done well.

Alok Tandon:

So, Abneesh, I have already answered that in your earlier question. When I said that Q1 has been great, but after that, a few movies have not done well and that does not mean that people will shy away from coming to the theaters. The movies, as I said, are looking good in August. In September also, we have some great movies lined up and I am very hopeful that these movies will click at the box office. One or two movies not working, or one month, not doing well does not mean that people will refrain from coming to the theaters to watch a movie or the entire pipeline is bad. So, I repeat it is just a blip nothing else. If the content is good people will come back for the movies, which are lined up for August, September, and October.

Abneesh Roy:

Sure. Last question on the INOX Merchandise, what is the thought process? This is more from a marketing angle or do you think there could be decent revenue potential and on the NCLT any timelines you have in mind or it is difficult to predict?

Alok Tandon:

So, answering the second question first NCLT its difficult to say what are the timelines? We have just filed it with NCLT. So, that will take a couple of months, where merchandising is concerned I think this will really catch on. It is a multibillion-dollar industry world over and we have started selling head caps, we started selling slippers, T-shirts, mugs, headphones, of various

movies, which include Marvel movies, which include other franchises, DC Comics, all those and just I am sure this will catch up over a period of time.

Abneesh Roy: And this will not be exclusive, right?.

Alok Tandon: Well, we have tied up with **macmerise**, they can surely tie up with other chains also.

Abneesh Roy: Sure. Okay. That's very helpful. That's all from my side. Thank you.

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

Jinesh Joshi: Thanks for the opportunity and congratulations on a very good quarter I have a question on our footfall, I think we were roughly 6% higher than the comparable pre-COVID base whereas if I look at our other peers, I think they were down by about 7% odd. Now, this is despite the fact that they have higher number of screens in Southern India as compared to ours and in this quarter, there were a lot of blockbusters of southern market like KGF and Vikram so any specific reason as to why we have done better than them.

Alok Tandon: Well, I cannot compare why we have done better than anybody else, but I can talk about INOX for sure, is that we gave a lot of loads of push for from a marketing team to get in more people. We came up with lots of schemes and also we should remember that, whether it was a Telugu movie, or Kannad movie, or Tamil movie, they were dubbed in Hindi, and we have a strong presence in West and North of this country. So, we had people coming in to watch the movies, which were not made in Hindi, but they were dubbed in Hindi and for that we got some good footfalls. KGF2, RRR did very well in Hindi and I think these are the few points which I can mention about apart from the great marketing work done by our team.

Jinesh Joshi: Two bookkeeping question, if I look at our ad revenue, which was it about Rs.30 crore, this is still 37% of the work in the pre-COVID base to any timeline with respect to when we will be able to achieve that and secondly, if I also look at our employee cost. Firstly, it is lower by a 28% and the fall appears to be quite substantial. So, any specific reason what is driving this and whether this is sustainable or not.

Alok Tandon: Okay, so the ad revenue, you are right, it is about Rs.30 crore it is about 34-35% lower than what we did in Q1 of FY20 and this is because we all know that the advertisers were just waiting and watching whether they should advertise or not. My senses come Diwali and come the festive season we should be back to normal or maybe a slight reduction in collections, but I do not see that this will be a big challenge. Q1 Q2 should be a bit depressed but Q3 and Q4, we should bounce back strongly and this is a trend we have seen with various other mediums also that Q1 has been poor, but slowly they are getting traction and things will improve. When you talk about the employee cost, yes, we have shown a 28% reduction and this I would say is, I can break it up into two parts. One is that during COVID, we did a lot of multitasking and people were able

to do jobs of others also, so we had to take in less people, but more was that we were very careful in recruiting people in April and May, once we saw a steady increase of people coming in of movie lineup, that's the time when we ramped up and started getting more of our operation associates in cinema halls. So, it is a mixture of having less number of associates in April and slowly ramping our associate count and number two of the multitasking which we have done. If you say this will continue well, the answer is you will not see a 28% decline, you will see a maximum 7 to 8% reduction in manpower costs. That's purely because of multitasking.

Jinesh Joshi: Sure sir, thank you so much and congratulations once again.

Moderator: Thank you. The next question is from the line of Arun Prasath from Spark Capital. Please go ahead.

Arun Prasath: Thanks for the opportunity. Just a couple of questions. When I see that there is an escalation in the rent, which you explained is coming from the contractual obligations and I also see that there is an ATP and F&B stand per head growth is also happening. Just my question is an ATP and F&B growth is far higher than the rental growth that is very clear. My question is this coincidence because of the various factors that is affecting or the pricing of the ATP and F&B, or is it like well planned and executed and can it sustain in the coming quarters, as well?

Alok Tandon: Well Arun we always say that our pricing strategy is always scientific, we look at the cost structure for property. We look at the paying propensity of the people and we look at the movie, the newness of the movie, which is coming. So, it is not one-off, if you see that gradually our ATP has gone up and we have shown a steady increase in our average ticket price and we always say quarter-on-quarter that our ATP will rise in line with inflation. Where SPH is concerned, it is a cautious effort we are making to increase our spend per head. So, we have seen a steady increase for the last 6-7 years in SPH quarter-on-quarter and year-on-year. When we close at Rs. 96 rupees in Q1 FY23, it is because of our sales mix. It is because of a strike rate getting improved. It is because of items per head of food increasing and lastly, I would say it is also due to increasing point of sale. So, today what we say is that the biggest put-off for a guest is to see long lines at the condition counter. So, we endeavored to have a point of sale in various parts of the lobby so that wherever the guest is standing, he can just walk across and buy food. So, I would say lot of work has gone into it so that our SPH keeps on increasing and the F&B team has done a great job over the last couple of quarters to ensure that our F&B revenues go up and the SPH increases.

Arun Prasath: Just to clarify, the ATP growth will always have certain amount of impact on the footfall sensitivity. It is not like they are independent at some point of time; you will have footfall affecting if we continue at this ATP growth this level. Isn't it true or this quarter where you know that people are coming out of a long period of being shut in the home and hence for them this quarter it doesn't work like this.

Alok Tandon: So, Arun let me tell you that there is a slight difference in this. I do not think that if I keep on increasing my ATP, footfall will surely come down, but what we do at INOX is I will always find that sweet spot between ticket pricing and the footfalls which come in. So, if I remember right, in our FY22, we had Rs. 217 blended ATP for the entire financial year which in Q1 because of more openings and because of some blockbuster movies coming, it went up to Rs.229. So, yes, you are true that if we just keep on increasing the prices, footfall will be impacted, but that's never the case at INOX. We are cognizant of the fact that you cannot charge extraordinarily high from a patron. You have to find that sweet spot and that is something our programming team and our revenue team keep on doing is that to ensure that as I said that the ATP increases in line with inflation, and does not affect our footfalls also, because we do not want footfalls to come down. If footfalls come down, yes, there will be an issue with SPH, there will be an issue with the advertisers and other people. So, we have to find that price, which ensures that footfalls do not suffer.

Arun Prasath: Fair enough. My second question is on the number of screens, to be added to the guidance I see that we are maintaining around close to 75-80 screens this year. Should not we expect more given that there could be a pent-up pipeline, which was not executed in the earlier years, especially in the last two years, shouldn't at least in this year, it shouldn't be higher than the average that you have executed in the pre-COVID years.

Alok Tandon: So, there is nothing as pent up for properties Arun because the reason is that the developer has to be ready with his Mall and also he has to be ready with the cinema area to give it to us so that we can start our fit out. Maybe a few more properties are added, but we are sticking with the guidance of opening 77 screens in this financial year and if we get more properties from our developers to start a fit-out, that would be a bonus and we will lap it up for sure we will not refuse it, but as of now, we are saying that we give guidance of 77 screens, and we are sticking to it.

Arun Prasath: Alright. Thank you very much. All the best.

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

Ankur Periwal: Thank you. So, Alokji, two to three questions. So, one, you know, on the continuing with the SPH part, qualitatively how do you look at this matrix internally. Where I am coming from is so there are two-three key drivers here, right. One is probably higher food options, greater food options, and you did allude towards that initially, but where is this growth that we are seeing is, the last couple of quarters coming from is it largely because of higher usage or higher spend per veteran or more number of people opting for your F&B options there and related question to that is, if I look at SPH to ATP, you know, as a matrix first is that right matrix to look at and secondly, because this number has been largely stable for us historically. So, your thought on this.

Alok Tandon: When looking at our SPH to ATP, I do not think it has been stable it has increased, and this quarter, it is 42%. So, that is one. When you talk about why our SPH has gone up, I will say it

is not because of price increase, price increase could be a Rs. 10 or 15 only on certain items not all across the food items, but it is the effort and which I talk about is selling more items per head to a guest, ensuring the strike rate at the concession counter increases, which means that there are more people who come to the concession counter to buy food compared to what or the number of people who were coming to the concession counter earlier. So, these are a couple of things which we have really worked hard on and how will people come to the concession counter is by having more touch points to by having more point of sale. Today, when we design a new property. Earlier, the thought process was to have only one big concession counter. Today we are moving away from that, we are saying that when a person comes into the lobby, or when he comes out of his theater, there should be food for him to pick up from there, rather than for him to walk to the concession counter. So, that is something different we have done during the last couple of years and that we have seen as healing results. We have also ensured that the LED screens which we have in our properties, people can go and buy food from there. What we have also done is let's say our app and this is something which I have always talked about in every meeting but now I can see a lot of traction. The INOX app has got a food icon embedded in it. So, people have to see a few people standing at the concession counter and they just take out their phone and they place an order for food using the app and they can easily go and collect it from what we call the Fast Forward Counter or it is served to them on their seats. So, I will say a couple of things we have done to ensure that more food is sold and also doing a lot of survey to ensure that we cater to the local palates. The samosa in Jaipur will taste totally different from a samosa in Nagpur or in Mumbai or in Delhi. So, that is the research we have done where food is concerned, yes, selling more items on the menu has also been on our cards and we have been quite successful in doing it. Because our mantra today is that a patron should eat food while watching the movie rather than before or after movie and that I think over the past couple of quarters, we have been quite successful in doing it. So, these are the few things which I can talk about Ankur of how our SPH is going up and I am very hopeful that this will continue happening in the coming quarters also.

Ankur Periwal:

Second on the advertisement side, we have seen a good healthy recovery in Q1, but if I look at overall, the overall ad spends at the industry level are not as great. How do you see this recovery panning out? Is this more of a function of good content coming in and then we will see recovery, maybe this quarter or with the festive season. Your thoughts there.

Alok Tandon:

Yes, festive season, for sure, I think will bounce back. Good content also is very important for a client, because he knows that the good content will have great footfalls and there will be more people seeing his ads. There will be more eyeballs watching his ad. So, that is there, but let me tell you that we are not disappointed by Q1 numbers. I think it is a healthy jump. It is only 34 or 35% less than Q1 FY20 and we have seen a lot of traction from New Age Clients. So, New Age clients, FinTech clients, they all our advertising these days in our cinemas. We are having a lot of interactive ads also being shown on our screens where you interact with that particular ad. So, people take out their phone, they Download a QR code, and then they play games or look at ads on the screen in which they are sitting and that also has gotten good traction with us in the last couple of weeks, I would say. So, things are looking up Ankur but Q3, Q4, yes, we should do

well and then that is the time we will be seeing that we are back to normal and the ad revenues have increased.

Ankur Periwal:

Sure sir and lastly on the screen addition side, you did mention along 75-80 odd screens getting added this financial year. Most of these screens, if I look at FY23 are coming from maybe tier-1 or tier-2 cities, but structurally when I am looking more at the longer term, sort of screen addition plans that we have, are these mostly coming from tier-1 and 2 only or probably Tier-3-4 are also picking up, slowly and steadily and would the economics be very different between a Tier-3-4 versus a Tier-1-2. So, it is the right mix of properties.

Alok Tandon:

Ankur we as a company we have a company yes, we have largely in metros and Tier-one. But we have never shied away from entering a Tier-3 or Tier-4 city. We have never shied away, because he feels that the cinema hall has to be closest to a patron wherever he is in this country. When you talk about economics, well I would say our IRR and payback remain the same, because we know that the paying propensity of the guests, the average ticket price will be less in those particular properties and so is the CAPEX. We will not put a marble on the floor. But we will put a tile on the floor. We will not have a high-end finish on the concession counter. In that Tier-3, we may have granite on the concession counter. So, these are the few things we look at, but ROCE, payback or IRR all remains the same.

Ankur Periwal:

Sure, sir that's helpful, I will get back into the queue. Thank you.

Moderator:

Thank you. The next question is from the line of Sanjesh from ICICI Securities. Please go ahead.

Sanjesh:

Yes, good afternoon, sir. Thanks for taking this call. Few questions from my side. First, I wanted to understand how does this tariff has got the price increase in the screens work? I know what we give is a blended of all but it will be useful if you can explain us what is the relationship between the occupancy and the tariff increase? What is that occupancy you think you are confident to increase the tariffs? How does the economics work behind each screen for you?

Alok Tandon:

So, Sanjesh we look at as I said that, for us, quality of content is very important if we feel that the movie will do well and everybody feels that till the Thursday night that it will be a Super hit movie. If we feel the movie will do well and if you look at the buzz, which is built around the movie, if we look at the advances which are there, we know that this could do well and our ticket pricing is high, but again, I said the ticket prices or the ticket pricing depends on where we are pricing it. Whether it is Mumbai, is it Chennai, is it Delhi, which theater in Delhi. So, it is very fluid, it is not that one ticket price will work for all 692 screens or all 163 properties. Properties, for example of Nariman Point in Mumbai, will be priced differently than at Kandivali West in Mumbai, a Malad will be priced totally different from theatres in the Dahisar so that our programming team has been doing for the last 20 years and they are quite good at it. I always say that we have never out-priced ourselves. If you heard my other answer, or previously which I answered is that for us footfalls are also very important and we have to strike that balance between footfall and average ticket price. So, the ticket pricing is done by our programming

team who looks at various aspects who is the director of the movie, what is the star cast, how has that performed earlier, whether it has been a hit earlier or not? So, all those things we look at before we reprise our tickets.

Sanjesh: No, no Alok sir, I got that very clearly. My question was, what is the occupancy level at which you think or you become more confident that this location is now ready to go for a slightly higher level of pricing. So, what is?

Alok Tandon: Sanjesh it is not property. Again, I am telling you, it is film based. So, an occupancy of film can only come to on Friday, though our programming, our pricing is fix on a Wednesday, two days before the movie is released. So, occupancy, we will come to know later on, the pricing is done earlier and I just explained the way we do our pricing. So, the occupancy of a property is to do with the occupancy of a particular movie. For example, in a property, let's say there are two pictures which are running. One is running with 70% to 80% occupancy and the other is running with a 20% occupancy. If I have already priced for that on a Wednesday, I will have to continue it for that particular week, I will not reduce it, but as I said, it's not property dependent, it is a movie-dependent pricing, which we do

Sanjesh: Got it got it. So, then it is more subjective than number crunching or data analytics, right.

Alok Tandon: So, let me tell you Sanjesh now there is nothing as subjective, we have enough data to crunch your numbers and to come up with a number which we feel our pricing we feel will do well. So, today I can use the word scientific, I won't even say a hunch, because we have data of all INOX screens for the last 20 years and we know how people react to pricing and we know which genre of movies in which language garners what ATP.

Sanjesh: Let me let me put it slightly differently then what I wanted to understand is what is the occupancy on a blended level, which we should see and feel as confidence in now with this occupancy, we should see a much faster pricing growth to come in. Is it right way to approach also?

Alok Tandon: No, I don't think that is right Sanjesh.

Sanjesh: Fair enough. Second on the consolidation side, are we seeing more footfalls coming into our screen. Have you done any analysis on that, are we getting benefited because there are no fewer quality screen around theaters we run. Are we seeing any search trend?

Alok Tandon: It's very difficult for me to talk about it, but I can say that the trend which we have seen an increase because of we are opening more properties, we going to destination malls and neighborhood malls and what we have seen in the last quarter is the quality of content. So, whether it is because of people not going to other chains or not, I do not know the numbers are not public. So, I cannot comment on it, but I can say yes that we have seen a healthy growth in our numbers because of we are reaching out to a Pan India guests. We are being present in 73

cities. We ensuring that we are present in a central business district or a high affluent residential area or a destination mall or where our cinemas concerned.

Sanjesh: Fair enough. So, last question from my side, earlier we were quite particular that we will be largely present in the mall. Now that the single-screen search slowly but steadily and gradually declining and there are certain iconic location. Do we think that going forward we may look at adding more screens on a single-screen basis.

Alok Tandon: Sanjesh we always say that we are a multiplex company and though we have three single screens with us, but these are very iconic single screens, where the occupancy is good, but let me tell you that we all know multiplexes came in because of programming flexibility that we could have more shows per day, we could have more titles per day, we could have movies in different Indian languages of different genres. That is the reason why multiplexes came into existence. I will say that will never go away now. Maybe you are saying that a few properties are shutting down. Let's see, but that is not on our radar as of now. So, today on our radar is only a multiplex and not single screens. You may ask a question, what if you take a single screen and make it into a multiplex? Well, let me tell you that chances are difficult or less. The reason being that today if I have to make a new Multiplex, we have to follow today's rules and regulations. We have to follow all municipal bylaws, we have to follow all cinematographic acts for a multiplex, maybe that single screen, the plot area is less that we may not be able to build three or four screens, so that could be the reason. But otherwise, if you ask me directly whether are we as interested to acquire single screens? My answer would be preferably not. We are a multiplex chain, and we will continue adding multiplex screens only.

Sanjesh: Great, great, great. Thanks for answering all my questions and best of luck for the future.

Moderator: Thank you. The next question comes from the line of Kapil Jagasia from Edelweiss Financial Services. Please go ahead.

Kapil Jagasia: Sir two set of questions. First of all, if we look at our ATP increase over the last three years, it is around about a 5% CAGR over Q1 FY20. So, it is good and you know in line with our long term average from looking over the same period for SPH, it is 6% in CAGR terms. So, I believe there will be significant scope for this higher SPH going forward as a pricing improvement in this metric used to be 8 to 9% before. So, Is my understanding correct over here?

Alok Tandon: No, sorry. Could you repeat that please Kapil.

Kapil Jagasia: Sir if I just compare our ATP as on Q1 FY23 to Q1 FY20, there is a 5% CAGR in that but similarly for SPH, is like 6% in CAGR terms over the same period. So, I guess previously our growth used to be around 8 to 9%. So, right now we are at a lower right. So, is my understanding correct on this or we have good scopes, to increase and to make up the gap here.

Alok Tandon: Yes, absolutely. There is a lot of headroom and I said that we have started various activities now and if you see that, when you look at CAGR for 20 FY21-2022, there was nothing to talk about, there were hardly any footfalls. Everything was less, but going forward, we have a lot of healthy I would say a lot of headroom to increase the SPH. We are also increasing as I say various activities, we are taking various steps to increase our F&B spends, and that will continue. Our endeavor is to increase it by about 8 to 10% year-on-year. So, that is what our endeavor is and we are working towards that only Kapil to ensure that no SPH is there and also for that we are doing a lot of food promotion, a lot of menu enhancement, lots of touch points I spoke about and having a quite a few premium screens now.

Kapil Jagasia: Just looking at the long term like for say five years or probably five years beyond are you aiming to reach around say 70-75% of ATP levels. Like can we reach there or it would be like.

Alok Tandon: “Aapke muh main ghee shakkar.” I hope it happens. To do that our endeavors to increase the SPH and ATP ratio as much as possible and the endeavor surely to have much more than what we are clocking today Kapil.

Kapil Jagasia: Sir my second question is our other multiplex operator indicated as staying right now is around 12% also they have a lot of launches in this space. So, like for us, what percentage of premium space would we be having and our plans are expanding these in future?

Alok Tandon: Well, today a premium and special formats, we have the same. We have our 12% with us, if I can, if I am not mistaken, out of 692, we about 80 to 85 screens which are premium and with different format. Our endeavor is to have more premium format screens and again, do not take me wrong it is not at the cost I will say it is not at the cost of the regular screens. When I say premium means I also add different formats to it, I had ScreenX, IMAX, 4D, Kiddles, Bigpix, Club, Onyx, all those things which I add. So, our endeavor also is to take different formats to different parts of the country, so that more Indians can get a feel of special formats we have, and which will increase the movie viewing experience as well as getting more footfalls. So, our endeavors also to take it up from 12% to higher what number is anybody's guess, but now every new property of INOX at least has one special format. If it is a small three to four screen property, then may not. But if it's more than five, six, and surely we'll have one special format in all our properties.

Kapil Jagasia: And sir what would be the like ATP and SPH in the premium screen just a ballpark number would do. Sir in this premium screen, what would be our ATP and SPH in this 12% of our screens?

Alok Tandon: If I look at our premium screens I do not have this number off hand, but I think really one is to one our SPH to ATP that how it will be, but it is very difficult for me to say that because also what happens Kapil is that when people are watching movies in a premium screen or a luxury format, they come out also to the normal concession counter to buy food, so very difficult for us to have the data with us. But if my guess is right premium screens could be one is to one.

- Kapil Jagasia:** Great sir, thank you for answering all the questions. All right.
- Moderator:** Thank you. Next question is from the line of Utkarsh Somaiya, an individual investor. Please go ahead.
- Utkarsh Somaiya:** Thank you for the opportunity, what are your operating cash flow for this quarter?
- Kailash Gupta:** Rs.110 crore.
- Utkarsh Somaiya:** Rs.110 crore and we would expect to maintain this level of cash flow as a percentage of your EBITDA?
- Kailash Gupta:** Over the period of time we are expecting that CAPEX will go up. So, I mean while operating EBITDA will be maintained our net cash flow would be slightly lower.
- Utkarsh Somaiya:** Okay, and the cost-cutting which you have done in this quarter, given that the occupancies will be maintained, do you think the costs will also remain at this level?
- Alok Tandon:** Well, as I mentioned about cost earlier, manpower costs may not show such a big dip that will not show such a big dip, power and fuel yes, we are very confident of saving on a per-screen basis, because of the various steps we have taken to control heat, light and power. That's one, rent and CAM is not in our hands. So, there will be no reduction over there. Other overheads. Surely the entire team is working that how do we increase or how do we decrease those numbers? So, I think you will see a slight reduction in costs going forward year-on-year, because of various activities we have done, as I mentioned earlier, but not to the extent where you have seen in the Employee Benefit expense for this quarter compared to Q1 FY20, but in other aspects yes, you will.
- Utkarsh Somaiya:** Could you give a guidance on the margin?
- Alok Tandon:** Guidance on the merge I already said that. We have got NOC from BSE and NSE. And we have already made an application to NCLT for the merger.
- Utkarsh Somaiya:** Not the merger, margin. I was asking for guidance on the margin.
- Alok Tandon:** On the margin well, the endeavor is to continue with what we are doing, whether it's the EBITDA percentage or on PAT our endeavor is that and I would say that we all are working to ensure that that the margin does not dip. It is about 22% where EBITDA is concerned and about 12.5% where PAT is concerned. So, I cannot give the guidance but I can assure you that the company is working towards ensuring that these margins do not slip and only go up and up.
- Utkarsh Somaiya:** Can you give me your CAPEX cost per screen? Is it Rs.3 crore if I am not wrong?

Alok Tandon: So, no Utkarshji. If it's a premium property it is more than three crore. If it is an average property, we do between Rs.2.75 to Rs.3 crore. But it depends on where we are making what we are making, how much revenue we can generate from that place. So, it depends on that. But ballpark is let's say Rs.2.75 to Rs.3 crore from an ordinary screen and about Rs.3.5 to Rs.4 crore for a premium screen, but for your modeling purposes, I think you can take anything between Rs.2.75 crore and Rs.3 crore per screen.

Utkarsh Somaiya: Okay, and just as a general understanding over the long term 30% occupancies are what we expect to maintain and it can always dip or go up from quarter-to-quarter but is that something a general range 30% occupancy.

Alok Tandon: Yes endeavor is to have a 30%, occupancy quarter-on-quarter, or more. That is why our entire marketing team is working on having more footfalls, but the issue is it is absolutely content-based, though, we try our level best to ensure that people come to INOX to watch movies, but at the same time, if movies do not do well, if they do not gather steam after Friday, Saturday, Sunday and Monday to Thursday, there are no footfalls and yes, there will be a dip in the occupancy, but the endeavor Utkarshji is to have 30% and more.

Utkarsh Somaiya: Yes, all I was trying to understand is when you plan your capital expenditure, what kind of occupancies do you assume you are going to do when you plan those expenditures, just to understand the industry more than guidance.

Alok Tandon: So, this is very, very property specific, if we are looking at a property down south, we look at about 75% to 80% occupancy, if we look at in the Hindi speaking belt, because one should remember one thing that the most South we go in the country, there are more languages spoken. Say if I look at Bangalore, classical example, we have six national languages spoken over there. But the more North we come up, the number of languages reduce, but that does not mean that footfalls will not be there. Footfalls are there, but on a blended basis, we take less occupancy up North and more down South. However, when we look at our luxury format, even up North, I am not talking about down South, even up North we have a higher occupancy level in our properties up North. If they are special format and if they are premium, so it all depends on property, it depends on location, there is no one right answer, Utkarshji which I can give you. I can just say that it is very-very property specific and again, a lot of thought process goes in number crunching of that particular property before we find it. What occupancy we will get, how many people per day will come? What will be the average ticket price, the spent overhead, and including the forecast of advertising revenue of that particular property. So, various aspects go into it before we find one, difficult for me to give you one answer of what occupancy levels we take when we sign on a property.

Utkarsh Somaiya: So, that was actually very helpful. I thank you so much and best of luck.

Moderator: Thank you. As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Alok Tandon:

I would like to thank all of you for the interest you're taking in the company and with the assurance that we are trying our level best to have great numbers in the future also. So, thanks a lot for taking interest. Thank you.

Moderator:

Thank you on behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.