

15th June, 2020

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 Tuesday, 9th June, 2020.

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

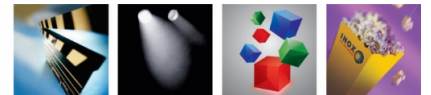
Kindly take the same on record.

Thanking you,

Yours faithfully,
For INOX Leisure Limited

Parthasarathy Iyengar
Company Secretary

Encl.: As above.





“INOX Leisure Limited
Q4 FY2020 Earnings Conference Call”

June 09, 2020



ANALYST: MR. GIRISH PAI - NIRMAL BANG EQUITIES PRIVATE LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to INOX Leisure Limited Q4 FY2020 earnings conference call hosted by Nirmal Bang Equities Private 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. Girish Pai from Nirmal Bang Equities. Thank you and over to you Sir!

Girish Pai: Good morning, everyone. On behalf of Nirmal Bang Equities, I would like to welcome you all for taking timeout to attend this call to discuss 4Q FY2020 Results of INOX Leisure. We have with us Mr. Alok Tandon, CEO; and Mr. Kailash Gupta, CFO representing INOX Leisure. We will start with some opening comments from the management and then we will open the floor to Q&A. Over to you Mr. Tandon!

Alok Tandon: Good morning everybody. I am Alok Tandon and with my colleague Mr. Kailash Gupta, who is the CFO of the company I welcome you all whoever is present on this call.

I am happy to inform you that the Board of Directors yesterday has approved the quarterly results for Q4 FY2020 and full-year FY2020. The results have been uploaded on the website of the stock exchanges as well as on the website of the company. We have also uploaded the results as well as the earnings presentation. On this call, we would like to walk you through some of the significant financial and operating parameters as contained in our presentation after that we will open it for any questions that you might have.

We all know that INOX has delivered outstanding financial performances year-after-year and I feel proud to share that despite the headwinds we have faced towards the fag end of the financial year we have stood tall and yet again delivered a strong full-year performance and continued our endless growth streaks. Allow me to quickly share the agenda of the call with all of you. I will take you through the full-year numbers as well as the Q4 numbers. I will then talk about expansion and future screen addition outlook. We will then talk about the content, which is the most critical aspect in our business, and also there is a lot of work, which has been done behind the scene on the COVID front including engagement with our stakeholders like landlords, producers, and various government authorities. We have also re-engineered our safety protocols and SOPs for the post lockdown period. There will be a lot that we will be doing on the marketing front to ensure that our guests come back to us and we win back their confidence. I would also talk about what is happening around the world as far as the cinema industry is concerned and finally, I will share some information on how we are managing our cash flows during this period.

For INOX it has been a glorious journey for the past 18 years ever since we opened our first multiplex in Pune. We have always stood tall and firm in the face of adversities as and when they occurred and we assure that our teams keep the glory intact. The recognition we have received in the years at various reputed forums are a validation of the team's remarkable performance. I am very happy to inform you that we have delivered all our promises and have been successful in making INOX the most profitable cinema chain. We can say this because INOX is the best when it comes to profit on per-screen basis, per patron basis as well as per rupee invested basis. We are also the only national chain in the industry to be net debt-free. We are the first in the industry to launch a 3-tier loyalty program called INOX Rewards to reward our customers for their patronage. Also, we achieved the milestone of 600 screens across the country in FY2020.

FY2020 is a historic year for INOX. We have had the highest ever yearly footfalls of 660 lakhs, we have had the highest ever yearly ATP of Rs.200, we have had the highest yearly SPH of Rs.80 and similarly, we have had the highest yearly revenue of Rs.1915 Crores, and we have had the highest EBITDA of Rs.347 Crores and highest yearly PAT of Rs.141 Crores.

Looking at some of the financial results and highlights of Q4 and the full year FY2020 let me tell you that we will be comparing Q4 Y-on-Y and full-year Y-on-Y. We are doing a Y-on-Y comparison where Q4 FY2020 is being compared to Q4 FY2019 and FY2020 is being compared with FY2019. For the quarter total revenue went down by 22% from Rs.484 Crores in Q4 FY2019 to Rs.376 Crores in Q4 FY2020. EBITDA decreased by 61% to Rs.40 Crores in Q4 FY2020 and PAT went down from Rs. 40 Crores to Rs. -2 Crores in Q4 FY2020. For the 12 months of the year, total revenue went up by 12% from Rs. 1,707 Crores in FY2019 to Rs.1915 Crores in FY2020. EBITDA improved by 7% to Rs.347 Crores in FY2020, PAT improved by 6% to Rs.141 Crores in FY2020.

As you all know our revenues comprise four key streams, which are the net box office, net food and beverage, advertisement, and other revenues. For the quarter, the net box office figures went down from Rs.284 Crores in Q4 FY2019 to Rs.218 Crores in Q4 FY2020 that is a decline of 23%, F&B revenues went down from Rs.123 Crores in Q4 FY2019 to Rs.94 Crores in Q4 FY2020 that is a decline of 24%, advertising income went down from Rs.43 Crores in Q4 FY2019 to Rs.35 Crores in Q4 FY2020, which is a decline of 20% and other revenues went down from Rs.33 Crores in Q4 FY2019 to Rs.29 Crores in Q4 FY2020, which is a decline of 12% and as a result of which the total revenue went down from Rs.484 Crores in Q4 FY2019 to Rs.376 Crores in Q4 FY2020.

Figures for the 12 months of the year are as follows: Revenues from net box office went up from Rs.975 Crores to Rs.1105 Crores in FY2020 that is a growth of 13%, F&B revenues

went up from Rs.436 Crores to Rs.497 Crores in FY2020 that is a growth of 14%, advertising income went up from Rs.177 Crores in FY2019 to Rs.179 Crores in FY2020 that is a growth of 1% and other revenue went up from Rs.119 Crores in FY2019 to Rs.134 Crores in FY2020 that is a growth of 12% and as a result of which the total revenues went up from Rs.1707 Crores in FY2019 to about Rs.1915 Crores in FY2020. In Q4 FY2020 net box office revenues now comprise 57.9% of our total revenues, F&B comprises 25.1%, advertising comprises 9.2% and other revenues comprise 7.8% of our total revenues for the quarter. If I talk about FY2020 the net box office revenues now comprise 57.7% of our total revenues, F&B 26%, advertising 9.3%, and other revenues comprise 7% of our total revenues.

Now discussing some of the operational parameters behind the financial numbers, overall footfall declined from 180 lakhs in Q4 FY2019 to 128 lakhs in Q4 FY2020, which is a decrease of 29%. Occupancies too declined from 31% in Q4 FY2019 to 24% in Q4 FY2020. We started encountering low occupancies since mid-February due to the fear of COVID-19. Overall average ticket price increased from Rs.189 in Q4 FY2019 to Rs.202 in Q4 FY2020 that is about a 7% increase in ATP, spend per head went up by 7% from Rs.73 in Q4 FY2019 to Rs.78 in Q4 FY2020, which is a growth of 7%.

On comparable property basis footfall for the quarter declined on a year-on-year basis by 35% from 177 lakhs in Q4 FY2019 to 115 lakhs in Q4 FY2020. Occupancies too declined to 24% in Q4 FY2020 from 31% in Q4 FY2019 on the same-property basis. For comparable properties, the average ticket price has increased from Rs.189 in Q4 FY2019 to Rs.203 in Q4 FY2020 that is an increase of approximately 7%. Comparable spend per head has gone up by 8% from Rs.73 in Q4 FY2019 to Rs.79 in Q4 FY2020. For 12 months footfalls improved from 625 lakhs in FY2019 to 660 lakhs in FY2020 that is an increase of 6%. Occupancies remained stable at 28% in FY2020, ATP has increased by 1% to Rs.200 from Rs.197 and SPH went up by 8% from Rs.74 to Rs.80 in FY2020. For comparable properties, footfalls went down by 6% from 550 lakhs in FY2019 to 516 lakhs in FY2020. Occupancies too declined from 28% in FY2019 to 27% in FY2020, ATP increased by 1% to Rs.200, SPH went up by 7% to Rs.80 in FY2020.

The net contribution of F&B has declined from 74.3% in Q4 FY2019 to 72% in Q4 FY2020, this decline in net F&B contribution is due to write-off inventory amounting to Rs.1.5 Crores due to COVID-19. The net contribution of F&B increased marginally to 74.6% in FY20 as compared to 74.2% in FY2019. We have been able to sustain reasonable growth in our F&B segment owing to a strong commitment towards improving F&B revenues and contribution margins.

Film distributor share on NBOC declined to 42% in Q4 FY2020 from 43.7% in Q4 FY2019. For the full year too, distributor share on NBOC declined from 44.2% in FY2019 to 43.8% in FY2020.

As far as the other overheads per operating screen are concerned, these went up from Rs.42.5 lakhs per quarter per screen in Q4 FY2019 to Rs.45.2 lakhs per quarter per screen in Q4 FY2020 that is an increase of about 6.5% for the quarter. For the 12 months, Rs.168.3 lakhs in FY2019 went up to Rs.174.9 lakhs in FY2020 that is an increase of about 4%. It is our strong focus in controlling cost to bring in cost efficiency that we have been able to keep the escalation in cost at par with inflation.

In terms of the shareholding structure, FIIs own about 8.61% of the company, and DIIs own 20.85%. We have treasury shares of 4.23%, promoter and promoter group hold 51.89% and the public owns 14.42% of the company.

The share price as on June 5, 2020, was about Rs.288.5, which gives the company a market cap of roughly about Rs.2967 Crores. Our 12-month EPS is Rs.14, 12-month price-to-earnings is 20 times, and 12-month enterprise value to EBITDA is about 10x.

In terms of screen addition in Q4 FY2020, we have added 17 screens and 2922 seats. This includes 15 screens at 2 new properties and 2 screens added to existing property at Indore. So hence in this last quarter of Q4 we opened 5 screens in Pune Elpro, 10 screens in Lucknow Phoenix Palassio and 2 screens in our existing Indore Central Mall in Indore and hence we opened throughout the financial year 58 screens as compared to 70 screens that we had promised, this translates to 83% of the target screen openings, we consider this as an achievement as all screen opening plans were considerably hampered because of COVID-19 otherwise we are very sure that we would have opened 70 screens as we had committed. Our current screen count today stands at 626 screens across 147 properties in 68 cities. At present we are now operational in 19 states, 68 cities with 626 screens and 144467 seats. Regarding property openings guidance for financial year FY2021 at present, we have 11 properties that are more than 85% to 86% completed. We are confident about opening these properties in FY2021. These 11 properties with 41 screens with 6374 seats amongst them and beyond this we have very strong visibility of property openings based on the agreements we have already signed. I feel proud to share that we have properties tied up to the extent of nearly 1000 screens, 142 properties with 184000 seats and once this pipeline is implemented we will be about 300 properties, 1656 screens, and about 330000 seats strong.

As far as the content is concerned, we expect very good releases to happen very soon. In July the ace director, Mr. Christopher Nolan has already announced the release of his movie Tenet and we are also expecting Mulan in the same month. As per our guess and as per our

estimates we should have Akshay Kumar's Sooryavanshi and Salman Khan's Radhe somewhere in October and November. In the same month, we will have two big Hollywood movies, which is No Time to Die, a James Bond franchise, and the Black Widow, which stars Scarlett Johansson in November itself. In December hopefully, we will have the Ajay Devgn starrer Bhuj, Ranveer Singh starrer 83, and Aamir Khan starrer Laal Singh Chaddha. So we are quite excited about the pipeline as this pipeline is quite strong and we can see some great numbers and people coming back to the theaters starting September-October onwards.

I will take a moment to talk about the opening of INOX Megaplex at Inorbit Mall, Mumbai, which remains the most outstanding development for INOX in FY2020 apart from us launching the 3-tier cinema card. That is a loyalty program, which I am talking about. It not only underlines, which is the INOX Megaplex our focus on experience but also strengthened INOX's position on the global cinema industry map. Let me tell you that it remains the most unique cinema in the world that the virtue of being the home to the maximum number of cinema viewing formats under one roof. Friends by the time we reached the month of February COVID fear psychosis had started showing its impact on our business. Then in the middle of March state governments have started directing closure of movie theaters. Anticipating a heightened impact of the disease and the lack of cash flow we had initiated dialogues with our mall landlords. We had invoked the force majeure clause and we told them that we will not be able to pay rents during the shutdown period because we knew that there will be no cash flows at all. Another important set of stakeholders is our content producers. We are in constant touch with the producers and they have reiterated the importance of the theatrical run and its benefits to the industry. Barring a few movies, which have gone on the OTT platform we have been given an assurance that the movies will come to the theaters first and only then will hit the OTT.

Driving advocacy for the stake of protecting the business from the impact of COVID we have proactively engaged with the government across various levels. Right from the PMO's office to various ministries at the center and most of the state governments we have also been in touch with the city level administration. The engagement has been driven by the industry association, which is the MAIs and as well as individually by INOX. We have made the best of the lockdown by reengineering our SOPs and preparing new hygiene and safety protocols. We visualize the entire customer movie watching journey and identified touchpoints and prepare the safety commitment by INOX to safeguard these touchpoints from any kind of infection. Once the cinemas assume operation we have put together a hugely effective integrated marketing plan, which will help us stage a quicker turnaround. We will reach out to engage and communicate with our guests with offers, experiences, and delights. We are even planning to promote private screenings as a new offering for our guests.

Let me provide you a global picture of what is happening in the cinema industry. As of June 1, 2020, 19 states in the US are permitted to operate, but in the remaining 31 states, no go-ahead on the United States has been given till now. Large cinema chains like AMC and Regal have not started operations anywhere in the US. Cinemark should open on June 19, 2020. French cinemas will be permitted to reopen beginning on June 22, 2020, like many other European nations. Japan is also set to resume cinema operations and that could happen anytime soon. South Korea opened in the mid of May and footfalls are increasing and so is the case in Thailand. Cinemas in Dubai have opened and they include big chains like VOX and Reel. Australia and New Zealand are expected to open soon. So, ladies and gentlemen, this was a snapshot of our financials and I am very hopeful that we will bounce back strong, we will bounce back soon, and once we bounce back we will do the best which we do, which is to entertain our guests and show them movies on the giant screen. I would now open this forum up to any questions that you might have. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: I have three quick ones. Firstly Sir can you help me with the comparable footfall growth for the period pre-lockdown till March second week or so can we have the comparable footfall growth numbers?

Alok Tandon: Well as of now it will be difficult for me to pull that out, but we can share the 9-month of FY2020 with you. So that is in our earlier presentation that how many footfalls we had in 9-month of FY2020 and we just pulling it out and I can share that number with you of what we did.

Swagato Ghosh: Yes that would be helpful, but also for the pre-lockdown period for Q4 can we at least have guidance whether it was up YoY or down YoY?

Alok Tandon: Well I would say that it was up and also we were expecting more footfalls because movies like Angrezi Medium only released for one day, we have Sooryavanshi which was lined up, so we were expecting a great month of March with high footfalls.

Swagato Ghosh: But you are saying without those also we were slightly up?

Alok Tandon: Yes, and in 9-month if I look at the same store growth we were 4% up in comparable properties.

Swagato Ghosh: Secondly Sir how are we accounting for rentals firstly for the March rentals and also for the current period will it be accounting for that in the P&L?

- Kailash Gupta:** If you see our presentation as well as the results we are not accounting that part so we are very confident that we will not be paying any rental because we are in discussion and across country,
- Alok Tandon:** Going ahead as I said that we have already invoked the force majeure clause. Our agreement support that and our landlords will now have been very, very supportive of our stance.
- Swagato Ghosh:** What has happened to March rentals because from what I understand March invoices are raised in the initial week so, in the initial few days, March rentals have been paid or have you not paid I am talking about the entire March?
- Alok Tandon:** Yes March rentals have been paid and yes we have got credit notes for the period we were shut.
- Swagato Ghosh:** The last question is you have spoken about the 1000 screen target. In a new world with probably slightly lower estimates because of whatever has happened can it be a case that our growth is not actually return accretive because the estimates we had previously of occupancy, ticket price, etc., might need to be revised downwards and in that scenario do you think that our growth path needs to change maybe take another route and not just the plain vanilla screen addition route?
- Alok Tandon:** No, not at all, as I said this is just a blip. These three, four months are just a blip in the entire history of the Indian entertainment industry and we have only deferred our expansion plans, we are still going to open 41 screens where we have already done about 86% of fit-outs, it is not that our expansion has come to a halt, we will still expand, but yes it will be delayed by a few months only. Where property developers are concerned I am very sure that once things settle down in the next couple of months they will start reconstructing their malls or completing the work, which they have and next year same time when we are having these discussions we will be talking about how we are growing and how footfalls are increasing rather than this COVID period. So I think this is just a small momentary aberration or a gap in a growth story of the entire economy and we will be bouncing back.
- Swagato Ghosh:** Got it, we really hope so. Thank you, thanks a lot, I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.
- Prashant Kutty:** Just extending on the same question in terms of footfalls in the month of January, Feb, March, while you rightly said that obviously COVID impact and let us say some of the content would not have come through, but even if we assume on January, February the

content was reasonably weak, so was it a 9-month trend the footfall would have definitely come up even if I have to assume January, Feb, the numbers, is that a fair assumption?

Alok Tandon: Well I do not say that the content was weak in January, February, March we have Tanhaji, which is the highest-grossing Hindi film of FY2020 and that happened in Q4, we were about to release Sooryavanshi and it was the most anticipated film of March, so I do not think that the footfalls are weak. It was the fear psychosis which people started having from February onwards that they started coming less to the theaters, nothing else. And why theaters, I would say that every other consumer industry was affected, every entertainment sector was affected, so I feel that Q4 was as good as any other quarter and we had some great movies like Tanhaji, Sooryavanshi, and Angrezi Medium all that for Q4 of FY2020.

Prashant Kutty: The second question is on the rentals. You said that obviously you have paid for the month of March and you have said that you have probably applied force majeure for the next few months I believe this force majeure is applicable on all of our screens wherever the rentals are applicable or is there any difference?

Alok Tandon: No it is applicable everywhere, in all our agreements the force majeure clause is there and I said that we are in active discussion with the landlords and yes they have been very, very supportive of our demand.

Prashant Kutty: Sir in extension to that incrementally in earlier conversation you are also highlighting about that you might probably look at renegotiation in terms of run rate, so let us say when the things open up are we having any change in the negotiation in terms of probably using a percentage of revenue method or anything of that sort is there any such negotiation which can be done if you could just highlight on that part?

Alok Tandon: Yes we requested the landlords that we would like to pay lesser rental for the time we open till March 31, 2021, because the flow of movies will be less, we do not know how the government will come out with social distancing norms, so these are some of the things we have highlighted to our partners across various properties and yes as I said that we are in discussion and we know that even for that we have got some good responses from our landlords.

Prashant Kutty: But nothing has been finalized as of now in terms of whether we will be going through the percentage of revenue method has come?

Alok Tandon: Sorry could you just repeat that question, please.

Prashant Kutty: Yes, I said nothing has been finalized on whether you have moved to the percentage of revenue method right?

- Alok Tandon:** No, I said that we have got positive response, which means that it has been done with a few landlords and it is happening with the others also.
- Prashant Kutty:** Last question is on the debt in the book. In terms of the current level have you seen an increase in the debt levels especially in the April, May, June period if you can just give us that number and one last bookkeeping is on the rental amount, which you mentioned, which I have read in the press release that number has come off from 31 Crores, 32 Crores per quarter number to about 7 Crores, 8 Crores if you could just explain that, that is it from my end?
- Alok Tandon:** Yes, the rental has surely come down as we said that we have invoked force majeure everywhere and that rental is not there now at all in the picture so we have got some own properties where we are maintaining them we are spending some money for such sites, so that is the only thing, which has been accounted for, but otherwise rentals are nearly 0 and your other question was if you could repeat.
- Prashant Kutty:** Just before that Sir I was asking for the quarter gone by in terms of rentals we use to have roughly about 30 Crores to 32 Crores revenue run rate that has come down to about 7 Crores, 8 Crores so I believe you would have invoked...
- Kailash Gupta:** So Prashant we just want to correct you that I think the sort of number is not there so currently this number is around 1 Crore, 1.5 Crore number.
- Alok Tandon:** As I said that is only for the maintenance of our properties nothing else so we are not paying rent at all during the lockdown period to anyone.
- Prashant Kutty:** My last question was in the debt part, what is the debt as on May what would be the debt you would have probably taken?
- Alok Tandon:** Well I would like to just say on March 31, 2019, that we were a net debt-free company. We are as we have already said that talking to various bankers for extending the line of credit, we have about Rs.72 Crores of cash holding and this includes undrawn limits also, but we are in final stages of raising another Rs.75 Crores as additional debt so that is all, which I would like to talk on this.
- Prashant Kutty:** Thank you very much and all the very best.
- Moderator:** Thank you. Next question is from the line of Kinjal Desai from Nippon India Mutual Fund. Please go ahead.

- Kinjal Desai:** Sir I just wanted to understand the 41 screen expansion that we are looking for in this year is to be executed would it be right to assume that the capex remains at 3 Crores a screen or is there some change out there?
- Alok Tandon:** No, there is no change at all, our capex it depends on property-to-property, but yes on the average capex about Rs.2.75 Crores to Rs.3 Crores per screen that remains intact because as I said that most of the work in these properties are over. It is only the final touches, which are left like removing the paint on polish and polish on paint, if I can put it that way, but otherwise, our capex has remained the same for these properties and also going forward we know the inherent strengths of the Indian exhibition industry and again we can say that any property we will open will stand on three legs of luxury, service, and technology and we will continue to lay emphasis and focus on those things when we open a property.
- Kinjal Desai:** That makes the total capex **for** about Rs.120 odd Crores for this year would that be right to assume?
- Alok Tandon:** Well no I would say that the capex is only we require Rs.28 to Rs.30 Crores more to finish these 41 screens because we are only talking about work, which has been 85 to 86 percent complete in these 41 screens.
- Kinjal Desai:** Second thing from my end are you mentioned that we manage the most of our rental agreements to revenue share model so would you be able to help us with how many screens or maybe a percentage approximately of the total number of screens, which have moved now to revenue share and if that should have any impact on the way we report our numbers going ahead?
- Alok Tandon:** Yes, surely the reporting will change, but I will not like to comment on how many screens, how many properties where our agreement has changed to revenue share now.
- Kinjal Desai:** Alright, but Sir can you just please highlight when you say that this has an impact on our reporting numbers again I would be right to assume that with because of Ind-AS now we will have a higher going ahead there will be a higher rental income, rental expenditure in our P&L then what we would have otherwise reported and lower on the depreciation and interest cost?
- Alok Tandon:** Well Kinjal I am not confusing this with the Ind-AS reporting I am just saying as per management what we report and what we pay. So yes there will be less payment to a landlord because it will all be revenue share now compared to the minimum guarantee which we have and yes we will see a lesser number in the next financials, which we have, on the properties we have been successful I would not like to talk about that.

- Kinjal Desai:** Second thing is on the cost front while we have been very successful in controlling our costs so far. With the additional cost, which would now come through because of all the measures that we have to take for health and hygiene do we see an increased operating cost in the screen versus before?
- Alok Tandon:** Only for the hygiene part there will be a very marginal increase Kinjal because we have already gone through all line items with a fine-tooth comb and that will continue to be less where the hygiene, sanitizations, chemical, the housekeeping are concerned yes there will be a slight increase I wouldn't say substantial because we already do a lot of deep cleaning, we do a lot of sanitization, but we will be doing a little bit extra to ensure that this gets safety.
- Kinjal Desai:** Sure, thank you so much and best of luck for the future.
- Moderator:** Thank you. Next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.
- Jinesh Joshi:** I had a question on the in-cinema advertising piece post COVID do you think that there can be aggressive discounting in the market because since this is a perishable inventory and some volumes at a lower price is always better than low volume so can there be an aggressive discounting to chase volume?
- Alok Tandon:** Well it is too early to talk about that because even the advertisers should have good cash flows to advertise, we are in talks with them and once the things start opening only then we will be able to answer this question of how do you want to market ourselves, how aggressive we want to be in getting the ads, but it is too early to say whether we will reduce our rates or not because as you all know that our focus on our rates from December 2015 we took some harsh measures, we were clear of what we have to do and there was a lot of management focus on increasing our advertising revenue. So that's a decision we will take when the time comes. As of today, I feel that our efforts will continue to be the same, we will have more feet on the street, we will sit with the media planners to devise new strategies of advertising and that is how we will take up this entire thing.
- Jinesh Joshi:** Any share what proportion of our deals is of long-term nature say about for 52 weeks?
- Alok Tandon:** So well we have quite a substantial chunk of the 52 weeks deal, but again these are numbers, which I would not like to share in the public domain that how many do we have for long-term, how many short-term, metro versus non-metro so that is something, which I will refrain from, but I would say that our focus and commitment for advertising growth is there and will continue.

Jinesh Joshi: Secondly, say for example we get permission to open our cinema in some green zone will we go ahead and open it the reason I am asking this is that if we choose to open the fixed cost will start hitting our P&L and initially the occupancy level might be low so perhaps we might be worse off than what we are now, so just want to know what are our thoughts on this?

Alok Tandon: Well our aim in this company is to entertain people and if we get permission in the green zone we will surely go ahead and open our screens. We will see that how we reduce our fixed cost, we will look at various ways of ensuring that we get more revenues that is the way our marketing skill will come into place, how do we communicate with our guests, how do we ensure that when they come to INOX they are entering a neat and a clean place, so those are some measures we will take, but answering your question directly; the moment we get permission to open we will go ahead and open up screens.

Jinesh Joshi: Do we have some breakeven occupancy in mind at this juncture?

Alok Tandon: Again we know that the breakeven in a normal scenario is about 20% to 21% occupancy, but not now, so today it is very difficult to say that what the measures would be and I just said social distancing measures how many people will be allowed for how long we will be allowed to run a cinema theater, what content will be there, so there are a lot of variables before we can come down to that digit of occupancy, which we talk about will be breakeven for us.

Jinesh Joshi: Thanks a lot.

Moderator: Thank you very much. Next question is from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Sir my first question is while it is difficult to gauge the change in the consumer behavior, but wanted your comments on, given the content pipeline which is there for Q3 how optimistic would we be that with the social distancing norm you might still be able to do the occupancy, which was there in Q4 any which case had the impact of COVID?

Alok Tandon: Well I would say that we are quite optimistic with a good pipeline coming in and with the safety commitment, which we have people will come to us. See today all of us want to breathe differently, we all want to go out, we want to go to a place where we can really relax for some time and in cinemas, as you just talked about we will have frequent deep cleaning and disinfections, we will have various measures, we will be adopting a lot of ways to ensure that the guest is safe. The biggest being everywhere it will be e-ticket and there will be no physical transaction of tickets, all bills will be e-bill, we will have strict

demarcation codes and I would say circles drawn on our floor that way people have to stand. We will do a lot of algorithm changes in our software where we book tickets so that one seat after every booking will be left vacant, should a guest not have a proper mask or he wants to change the mask we will be selling a PPE kit, which will have a pair of gloves, a mask and a small sanitizer bottle at different points of the cinema hall. All our employees will have an Aarogya Setu app so that will be mandatory for everybody. So we will be doing a lot to win back the confidence of the guests as I always say and I think I am using that word for the third time in this chat, which we are having, that hence coupled with the lineup of movies I think people will be back and we will be back to our glory days.

Urmil Shah: Sir my next question was in the current scenario of complete shutdown our cash burn is about 15 Crores a month in Q2 where still the normal operations might not happen what is the level of increase in the cost, which we should expect?

Alok Tandon: It is very difficult to say what will be the increase and I just now said that there are a lot of variables in that, what will be the social distancing, how many hours will we allow to run our property, what will be the content, so today sitting in June I cannot say that in the next two months what a cash burn will be because everything is very dynamic, but we know for one thing that we have a very strong liquidity position and we are quite strong to maintain for the next six to seven months, yes there will be times when our monthly expenditure will increase, but that will also increase because there will be revenues coming into the system. So there is no one answer or one figure which we can talk about what our expense would be going forward.

Urmil Shah: Sure Sir and last thing on the changes as regards giving confidence to the consumer the details on the presentation is extremely good I just wanted your sense as to what is the kind of change we are likely to do in F&B and what should we expect the impact on SPH and F&B revenue for H2 I am mostly talking about H2 FY2021?

Alok Tandon: Yes well for H2 again I am not going to tell you about the SPH numbers would be, but we are doing a lot of changes. We are going to have a truncated menu, we will have single-use disposable packaging, we will ensure that there is no physical transaction and it is all digital money and we will ensure there is no crowding at the concession counters. So we will be making a lot of food which is quick and easy to dispense, so all those things we will be doing. We will not get back to a 100% menu, which we had in earlier days, but we will still have quite a substantial amount of food and beverage offerings, which are quick to dispense, easy to make and can be given to a guest in a packaging, which is one-time use. So we will be doing a lot of work. We will also go in for some healthy choices and immunity boosters so that is another thing, which we are looking at and we will be able to role it out once we open.

- Urmil Shah:** Got that Sir. Thank you so much and all the best.
- Moderator:** Thank you very much. Next question is from the line of Tejal Shah from Reliance Nippon Life Insurance. Please go ahead.
- Tejal Shah:** Just two questions from my side, one I wanted to understand is there any change that we are going to be seeing going ahead with the production houses on the revenue share, which is there currently if you could highlight on that and second was now that we are moving more onto the online ticketing platform would we at least seeing a change with the online aggregators on the way the revenue share happens if you could highlight on those two aspects?
- Alok Tandon:** Well I would say whether it is the producer or the online ticketing aggregators we have been partners for a long time and all of us I think are just as of now looking to bounce back to start a business rather than negotiating, the answer in a one-liner is that there will be no change and both producers and our online ticketing aggregators have been long time partners.
- Tejal Shah:** Any sort of change in the windowing gap that we would see or does it continue as per the agreements that we have been having now for one month at least?
- Alok Tandon:** It is not one month it is an eight-week window we have and that will continue and we have got a lot of assurance from our producer friends, that they all believe in the power of theatrical exhibition and yes windowing is important and that is followed globally it is nothing new to India and we expect the content creators, which have already told us that they will go in for theatrical release and revenue will continue the way it is. Also, we know that the entire ecosystem of the film industry understands the strong fundamentals and it also helps to generate value through releasing it in theaters ahead of OTT and satellite.
- Tejal Shah:** Okay Sir that is all from my side. Thank you so much.
- Moderator:** Thank you very much. Next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.
- Swagato Ghosh:** Sir you mentioned that you got credit note for the lockdown period for the March rentals can you just elaborate on how many of our landlords have given us the credit notes and it is for the full lockdown period in March or was it a partial credit note?
- Alok Tandon:** Well I just said in one of my answers that I will not like to enumerate, it is a decision between me and my landlord and that is something, which I cannot say in the public

domain, but yes as I said that we have got credit notes for the period when we were shut and that is all I can comment as of now.

Swagato Ghosh: Yes, so Sir I just want to clarify that is there any landlord who has not given us credit note in full?

Alok Tandon: Well again I would just like to say that I stay with my statement that yes that is just between me and my landlord and we have got credit notes., period.

Swagato Ghosh: So Sir just to reach in the question in a slightly different way from whatever we are hearing from different parties including landlords and this is not a very black and white thing there is a gray area in between the force majeure and hence there has been no resolution that is far otherwise probably it would have gone one day or the other so in that case, I am just trying to understand whether not accounting for the rentals 100% is that slightly aggressive on your part?

Alok Tandon: Well I think then you should ask the landlords whom you are in touch with for the answer because I clearly said that we have got credit notes and we are very positive for the lockdown period that we will be paying no rental.

Swagato Ghosh: On the debt that you are in talks to raise that additional 75 Crores can you give us some color on like what type of instrument and like who is the type of lender, the bank, NBFC and what are the interest rate that we are looking at and how does it compare versus say what we borrow probably pre-lockdown?

Alok Tandon: See again these are numbers I think which are very, very confidential to a company that what my interest rate is, whom I talking to, what are the deals, what are the terms, but let me tell you that what we have asked for is an additional debt of Rs.75 Crores, which we are very, very hopeful that we will be getting and beyond this, I think it will be not fair for me to comment in a public forum that or otherwise also that what my interest rates are what my other terms and conditions are for getting this debt.

Swagato Ghosh: Fair enough and Sir one last question is the employee cost that we see on the P&L for the fourth quarter does it already reflect some of the maybe cost-cutting measures we have taken or that is long life number and we will see further cuts to that number?

Alok Tandon: That is a normalized number, which we have seen and as I said that this is for only Q4 and FY2020 going forward there could be some changes in this number which we will report later.

Swagato Ghosh: Thank you.

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

Yogesh Kirve: Sir, just one clarification regarding the revenue share deals with the mall owners so do we already have such revenue share deals or we are in negotiation for that?

Alok Tandon: Well Yogesh to answer your question that we have in some properties, in some properties, we are talking to landlords and they have been very receptive so that it is a mixture of both. In some properties, we have only a fixed rental where we are speaking with the landlords for the future.

Yogesh Kirve: In case of this revenue share in which way the things are heading so do we have a less revenue share or this would be substantially lower 60 and then revenue share kind of transactions more likely?

Alok Tandon: These are micro questions every property is different, every cost structure is different so I cannot answer in one way for how we doing with all our properties, we have been in touch with our landlords for revenue share and we have got a lot of support from them.

Yogesh Kirve: Sir secondly regarding this Rs.72 Crores cash and credit line so this year as of March or as of today?

Alok Tandon: This is as of today.

Yogesh Kirve: Finally regarding based on our discussions with the government and various authorities so what are we picking up or what is our expectation regarding the reopening or any queues that we are picking up any comments that would be helpful?

Alok Tandon: Well no comments as of now, we have been in touch with the Honorable Minister of I&B as well as Honorable Minister of Commerce, we have given various representations with the PMO and the Finance Ministry, so as of now they all are saying that we will have to wait for sometime before we get a directive that when we can open. So there is no clear timeline as of now Yogesh, that when we will open, we are hoping for the best we hope that we can open soon and bring you back to our theaters.

Yogesh Kirve: Whenever this reopens what kind of pricing strategy do you have in mind; do we see a need for a sort of a reduction in the ticket sizes or F&B prices at this stage?

Alok Tandon: Well I would say talking about price reduction is very myopic let us look at what we can do to get back the customer. We have a loyalty program, using which we will just speak with our customers , we will give them various offers, we will have private screenings, we will

have local area marketing so that our team can go and tell people that we are open now. We will ping you for a movie, which comes as per the genre, which you like because that data we have in our loyalty program, we will be doing some cross-promotions, we will do segment-wise targeting so what is our main aim is that people come to our theaters and that is something which we will be focusing on.

Yogesh Kirve:

That is all from me. All the best.

Moderator:

Thank you very much. Next question is from the line of Ronak Vora from AUM Advisors. Please go ahead. The line for the participant dropped. Move to the next participant. Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal:

Just one question now if I recollect we had revised our convenience fee arrangement mid of last year so how much benefit would have come in this financial year in terms of months maybe for three months as a positive impact, five months as positive impact?

Alok Tandon:

Again Ankur these are numbers between me and my aggregator.

Ankur Periwal:

No Sir, I am not saying, I am not asking the absolute number that you have negotiated to deal with I am just asking since when did we negotiate this arrangement and what is the number of months of benefit that we should factor that in the current year number reported number?

Alok Tandon:

Well I do not remember the exact month, but it has been quite some time since we have negotiated, the agreement is still on, the benefits are still with both the partners I do not know if that is your question and I am answering it right, but that is what I understood from it, but the deal is still on with our aggregators.

Ankur Periwal:

So my question was not whether the deal was on or not but where I am coming from is while starting FY2021 it is like a washout year for the entire industry that ways, but I was wondering is the impact on this revenue line will be positive going ahead because the partial benefit would have come in this year and even if I consider probably a three-month lockdown impact there whether this number should be a decent positive number or there would be some dip or some sort of downward revisions with this number as well?

Alok Tandon:

No, not with the aggregators, our tenure would be extended and there will be no dip in revenues if that is your question because the entire deal is getting extended.

Ankur Periwal:

Yes, fair enough that was the only question I had. Thank you.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question for today. I would now hand the conference over to Mr. Girish Pai for closing comments.

Girish Pai: Yes, thank you. Mr. Tandon, would you want to make any closing comments?

Alok Tandon: I would like to thank everybody who is on this call for taking interest in our company and I would like to tell them that we will be tracking again in the next quarter and we will be discussing these things more in detail while going forward. Hopefully, COVID will be behind us and we will be talking about numbers of what we are getting, which movies are releasing when and as I said that we should be back to doing best what we do is for movies.

Girish Pai: Thank you very much. I thank the INOX management for giving us this opportunity to host the call. Thank you all for taking part in this call. Stay safe.

Alok Tandon: Thank you.

Moderator: Thank you very much. On behalf of Nirmal Bang Equities Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.