

10th August, 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 Wednesday, 5th August, 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>.

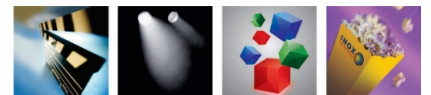
Kindly take the same on record.

Thanking you,

Yours faithfully,
For INOX Leisure Limited

Parthasarathy Iyengar
Company Secretary

Encl.: As above.





“INOX Leisure Limited Q1 FY 2021 Earnings Conference Call”

August 05, 2020



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

**MODERATOR: MR. GIRISH PAI -- NIRMAL BANG EQUITIES PRIVATE
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the INOX Leisure Limited Q1 FY 2021 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 '*' and 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 Private Limited. Thank you and over to you, sir.

Girish Pai: Good afternoon to you all. On behalf of Nirmal Bang Equities, I would like to welcome you all to the Q1 FY 2021 results conference call of INOX Leisure Ltd. Thank you for taking time out.

We have with us Mr. Alok Tandon -- the CEO; and Mr. Kailash Gupta -- the CFO representing INOX Leisure Ltd.

We will start the call with opening comments on the quarter from the management and then we will open the floor for Q&A. Over to you, Mr. Tandon.

Alok Tandon: Thank you, Girish. Hi, everyone, and good evening to all of you. I am Alok Tandon, and on behalf of the management of INOX Leisure Limited. I would like to welcome all the participants on this call.

I am happy to inform you that the Board of Directors has approved the quarterly results for Q1 FY 2021. 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 parameters as contained in our Presentation. And after we do that, we will open it for any questions that you all might have.

Over the past many years, INOX's journey has been nothing short of being a magnificent one and most of you have been witness to it. We have been growing on our numbers, we have been expanding rapidly, and most importantly, we have been entertaining more and more patrons every year.

There has been a lot of hard work and toil, which this team has done and this has gone into nurturing the company forward. We all know that the pandemic and the lockdown have shown us what tough times really look like. But thanks to the hard work and toil put in by us, towards strengthening our fundamentals, we would not just survive this phase, but we will also emerge leaner, fitter, smarter, and of course, raring to go and welcome our guests back.

Let me tell you, we may be down, but we are not out and we have complete faith in our ecosystem, which has always kept us on a growth trajectory. We will continue to stay committed to our fundamentals, which have always helped us deliver value to our stakeholders once normalcy is restored

Allow me to quickly share the agenda of the call with all of you, I will take you through the first quarter numbers. I will then talk about the expansion and future screen addition outlook. We will then talk about the expansion of content in various languages, and this is something important that how people are making films not only in the regional language, but also dubbing it in other Indian languages.

I will touch upon the shareholding structure, there is a lot of work which has happened behind the scenes on the COVID front, including engagement with our stakeholders like landlords, producers, and distributors. We will also look at initiatives taken by the industry as a whole. We have re-engineered our safety protocols and SOPs, for the post-lockdown period, we will discuss the latest consumer surveys on cinemas, and I will 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.

Let us look at some of the financial highlights of Q1 FY 2021. As you all know, all of our cinemas have been closed during this lockdown, for all the days of Q1 FY 2021. This has impacted our performance. For the quarter, revenue was only Rs. 3 crores during Q1 FY 2021 as compared to Rs. 496 crores in Q1 FY 2020.

EBITDA is Rs. -35 crores as compared to Rs. 92 crores in Q1 FY 2020. PAT is Rs. -52 crores as compared to Rs. 41 crores in Q1 FY 2020.

As there was an impact on revenues during Q1 FY 2021 due to COVID lockdown, we have also tried to keep our fixed costs under control. I am happy to inform you that all our efforts have been successful in bringing absolute control over operational fixed costs during Q1 FY 2021.

On a YoY basis, our employee benefit expenses including agency manpower have gone down from Rs. 69.3 crores to Rs. 24.9 crores in this quarter. Power and fuel and R&M expenses have decreased from Rs. 43.3 crores in Q1 FY 2020 to Rs. 3.8 crores in this quarter. Our expense towards rent and CAM during Q1 FY 2020 was Rs. 91.5 crores and in this quarter we have invoked force majeure clause; and hence, there is no outflow of rent or CAM.

We have also reduced our other overheads quite significantly during this quarter. They have gone down from Rs. 37 crores in Q1 FY 2020 to Rs. 9.6 crores in Q1 FY 2021.

Regarding property openings for financial year 2021, we stand-by our guidance as provided during Q4 FY 2020. We have 11 properties that are more than 85% complete. We are confident

about opening these properties in FY 2021. These 11 properties have 41 screens with 6,374 seats amongst them.

Beyond this, we have a very strong visibility of property openings based on the agreements already signed. I feel proud to share that we have property signed up to the extent of about 989 screens; 142 properties with a 184642 seats. And once this pipeline is fully implemented, we will be about 300 properties, 1,656 screens and about 335483 seats strong.

At present, we are operational in 19 states; present in 68 cities with 147 properties and 626 screens with 1,44,467 seats.

COVID-19 has brought unprecedented challenges to our industry. The industry as a whole is trying to face these challenges and respond to it in different ways. One such way is expanding the geographical reach of content by releasing movies in various languages at the same time, and this is what I just spoke about. We will witness an extremely positive trend, where a lot of Indian language movies will be released in multiple languages, thereby, overcoming language and geographical barriers and inviting the attention of more audiences leading to higher revenue opportunities.

In terms of shareholding structures, FIIs own about 10.17% of the company; and DIIs own 19.08%. We have treasury shares of 4.23%; promoter and promoter group hold 51.89%; and the public owns 14.63%. The share price as on July 31st, 2020, was about Rs. 230.30, which gives the company a market cap of roughly about Rs. 2,368 crores.

We have been in constant conversation with our developer partners, since the beginning of the lockdown. We are glad that our developer partners have understood the gravity of the situation and also weighed in the multiplexes' importance for the revival of the mall itself, and they have extended valuable support.

Another important set of stakeholders for us is our content partners. And we have been engaging with them and reiterating the importance of the theatrical run in the overall cinematic value chain. The entire ecosystem of the Indian film industry understands the strong fundamentals of the global cinema consumption chain, which begins with theatricals, which turns out to be the most value generating medium, ahead of OTT and satellite. We are glad that quite a few producers and studios have agreed to hold on to the content and wait for the cinemas to re-open.

We have been putting a lot of effort in the industry level under the aegis of Multiplex Association of India to get the cinemas opened up for exhibition in the unlock process of the Government of India. The company has prepared a rigorous set of standard operating procedures along with the Multiplex Association of India, for ensuring safe experience on the resumption of operations once cinemas are allowed to operate.

The SOPs have been cascaded down to the operational teams across the country. We have made representations to all the relevant ministries and submitted these SOPs for their perusal. We have also made attempts to spend consumer awareness by doing live demonstration of these SOPs to various television and news channels and print publications. We also actively are engaging with relevant departments and ministries, both at the Center and at the State.

Let me explain the SOPs to you in a bit more detail. The SOPs safeguard every customer touchpoints throughout the customer's journey inside our cinemas, including ticketing, entry, lobby, F&B, auditoriums, and exits. All our guests will have to mandatorily wear masks and there will be a temperature check to happen at the entrance for anyone who enters our doors. We will also keep PPE kits available for purchase, which would include a mask, a pair of gloves, and a sachet of sanitizer.

There will be a lot of focus on the digital way of life. Our team has developed a fully loaded all in one SMS and this SMS comes with four different links. One, which allows a guest to check-in using the QR code. Second, which shows the auditorium seat chart and the location of the guest's seat on the seating chart, so that they do not have to ask or inquire from anyone. The third link provides access to the F&B menu to place one's order. And the fourth link allows one to download the complete e-ticket with all the details.

There will be extensive sanitization drills, disinfection processes at the right places and at the right moment. There will be pedal operated touch-free hand sanitizers placed at important locations across the cinema.

From a distancing perspective, we already have a backend algorithm ready, which would leave a seat's gap between two distinct bookings. Our shows will be programmed in such a way that there are no simultaneous entries, intermissions, and exits.

I am glad to share that we have added immunity boosters like Soups, Lattes, Teas, and Juices to a menu along with the popular cinema snacks and we will be offering the food in single-use disposable packaging.

Various surveys were commissioned during the lockdown by various agencies to understand the prevailing consumer sentiment. The outcome of these surveys reflects that the passion and the fondness for cinematic entertainment is still intact. The Ormax Media Report titled "Back To The Theatre" and The Kantar Multiplex Study, both indicated that 82% to 83% of the respondents respectively missed watching movies in cinemas during the lockdown.

As we speak, cinemas are already operational in more than 35 major overseas markets. What is also heartening to see is encouraging turn out that most of these markets are witnessing. In spite of COVID though, they have not reached pre-COVID levels till now and will surely take them some time to do so.

In the U. S., indoor theatres are open in more than 40 out of the 52 states. In the UK all the three major chains ODEON, Vue and Cineworld have opened. In China, more than 50% of the screens are now operational; and the first weekends saw more than 1,50,000 people thronging in the cinemas.

The film Peninsula, which is a sequel of the movie Train to Busan is creating waves in South Asian markets like Singapore, Korea, Malaysia, and Thailand. France sold more than 8,50,000 tickets sold in the first five days of its re-opening. Italy has gone a step ahead and has become the first country in the post-pandemic era to announce the hosting of the Venice Film Festival.

Overall, we see some extremely encouraging signs of recovery from markets, though it is still a long way for us to get back to normal occupancies, which is been impacted by COVID-19.

So, ladies and gentlemen, this was a snapshot of our financial and operating performance for the first quarter of FY 2021. I would now like to open this up for 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 Chirag Shah from CLSA. Please go ahead.

Chirag Shah: And congratulations to the team for making such splendid preparations to re-start the operations. My question is on the fundraiser plan to raise funds which is there in the Presentation of up to Rs. 250 crores. Now given that the debt-equity is right now at about 0.17x and the CAPEX going forward is going to be a little low. What is the thinking behind the fundraising? And also, are we seeing other inorganic growth opportunities as we go forward, given the fact that smaller chains are facing even higher liquidity problems?

Alok Tandon: Chirag, talking about the second question first, about inorganic growth. I would say, today, all of us are just thinking about how do we open and come back and bounce back and allow our guests to come in into our theaters. So that is the major focus today of INOX. Yes, you know that INOX has never been averse to any inorganic growth. We were the chain who started the entire acquisition process way back in 2006 and 2007, when we acquired CCPL of West Bengal and have done two more after that. So in totality, we have done three acquisitions. So we are not averse to that.

But as of today, our prime focus is to see that we re-open our cinemas and the guest feels comfortable in our premises. Number two, when you said that what will we use this Rs. 250 crores for? Well, it is for us to manage the current operations and for the working capital management and also for future expansion. So, this is how we plan to use the money, which the Board enabled or approved the enabling resolution for fundraising up to Rs. 250 crores.

Chirag Shah: And in terms of just using the treasury share also to raise funds between raising fresh funds and using treasury shares, what will be our preference?

Alok Tandon: Well, that is something which will decide later on Chirag, that is a decision, which we have not taken yet as of now. And so, when the time comes, we will decide what to do first, whether to use treasury shares or to go in for fundraising. But as I said, it is an enabling resolution and we will raise money based on our performance once we begin operations. There is no fixed plan as of today to raise this Rs. 250 crores immediately.

Chirag Shah: Got it. Just one last question, if I may, given the standard operating procedures that you need to follow right now, what will be the impact on the peak occupancies that we can have versus what we had on weekends? And secondly, the sustainability of the cost reduction that we have done recently?

Alok Tandon: Well, if I understand your question, right, you are saying that what will be the effect of capacity reduction on occupancy? Am I right? Is that the question, which you are asking?

Chirag Shah: Yes. Given the social distancing that we need to follow within the screens as well, what will be the impact on the occupancy rates that we can have at a peak level?

Alok Tandon: Well, it is very difficult to say because we do not know what that capacity; permission comes from the Government. We do not know whether 60%, 50%, 40%. So it all depends on what the government tells us. What we are requesting is that there should be one seat, which will keep empty beside every distinctive booking. And the algorithm, which we have has been made for that. So it is difficult to predict that if we have a 50% occupancy or allowed to open 50% what the occupancy would be.

But let me tell you one thing, which I have always been saying is that we are very sure in India once cinemas open, people will come back. We are just waiting to breathe differently. We all are missing movies and as we have seen that, yes, malls took a little bit of time to start where people came in. But over the weekend, what we have seen that they have some good numbers in whichever State malls are operational. So same thing with cinemas, Chirag, I think that once we start getting movies and we start opening up theaters, people will come back to our lobbies and theaters. But to put a number to it is very difficult at this stage.

Chirag Shah: Sure. And the sustainability of the cost reduction that we have done?

Alok Tandon: That will continue. We have literally tightened our purse everywhere. We have ensured that where we are not using power, we have switched off the main transformers. So till the time we are shut and we do not operate, these cost-cutting measures will continue.

Chirag Shah: But I am sure you have found areas to cut the cost even after you start to operate, what are those cost areas, cost reduction measures that you have taken, even when once we start operating?

Alok Tandon: Okay, let me tell you, the entire company, we went back on the drawing board and we said that think as if we are starting a new company. So how would we now make our SOPs more efficient?

How would we make our manpower more leaner? How would we ensure that whatever we do has got efficiencies built into it? And because we all working together for the last four months and making new SOPs, you will see that once we get back to normal operations, there will be a cost reduction in every line item. It will be difficult for me again to enumerate everything. But this I can assure that once we get back to normal operations, there will be a reduction in our fixed costs.

And also, you were asking about how the occupancy would pan out? Let me add to it, that we expect to see a reduction during peak weekends and that shifting of those occupancies or those footfalls to weekdays and that again is our assumption . And we expect the consumer behavior to shift to lesser occupancy days at least for the first two months or three months after we re-open.

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

Yogesh Kirve: Sir, the operating expenses during the quarter stood I think is less Rs. 13 crores per month versus what was earlier guided of about Rs. 15 crores to Rs. 18 crores. So firstly, quickly, so is this a run rate that we should expect during this shut phase or there were some extra ordinary savings particularly during this quarter?

Alok Tandon: Well, you should expect the same numbers during the entire time we are shut, so this is something which we have done. We have worked hard towards reducing the fixed costs. And till the time we are shut this is the run rate, which we will be achieving where our fixed costs are concerned.

Yogesh Kirve: So before this COVID impact started the fixed costs used to be about Rs. 80 odd crores per month and this is excluding the pure variable costs like F&B and the distributor share. How much of variability exists within this fixed cost structure? I understand, I appreciate your earlier comments that there will be cost savings or the cost measures that you have taken, but I wanted to understand the variability considering that the occupancy in the first few weeks or at least for the first month could be very low? So during such period what could be this run rate could be?

Alok Tandon: Well, again, I said, I cannot put a figure to that or put a number to that, but I would say there could be slight variables. For example, it depends on how many hours I am allowed to operate by the Government, whether it is 8 hours, 10 hours, 15 hours; and hence, my energy cost will fluctuate accordingly. My advertising expenses will fluctuate depending on how many hours I operate and what do I communicate with my guests.

My repair and maintenance would slightly be reduced because of us doing a lot of preventive maintenance during these days and this is where our own team is doing it. So no extra cost has been incurred by us during the lockdown period to do preventive maintenance. So these are a

few things, which I can talk about. Manpower definitely when we open INOX 2.0 would be with a much leaner manpower structure and hence, all these variables are there, which will help us in reducing our fixed costs.

Yogesh Kirve: Okay, I appreciate that. And another question I had regarding the liquidity position as of today.

Alok Tandon: Well, as we said, it is in our Presentation, as of 31st July, we have cash holding of about Rs. 36 crores, which includes undrawn limits. So we are quite comfortable for the next couple of months; and also, the strong balance sheet we have with a 0.17 net debt to equity ratio. So I do not see any challenge for us for getting in more money. As you have just seen that the Board has approved the enabling resolution for funding of another Rs. 250 crores, we have treasury stock with us. So we are quite comfortable where cash is concerned.

Yogesh Kirve: And sir, we were also looking for raising some term loans, so was there any progress on that?

Alok Tandon: Well, we have had some progress in various term loans, but this is something, which we keep on doing. We keep on speaking to banks, we look at various lines of credit, and yes, we have got some line of credit from banks and that is why we are saying that we are quite comfortable with the monies we have. We are quite comfortable with the line of credit we have.

Yogesh Kirve: Okay. And sir, finally, regarding our negotiations with the mall owners, so as of now, most of the reduction that we have booked, I mean, we do not have a written understanding as of now, so where are we, I mean, how long could this take the form up the reductions for the year. I mean, both for the shut phase and for the rest of the year?

Alok Tandon: Well, we have a written understanding from quite a few of our developers and the others we are in advance talks. And I said that we are absolutely sure that the rentals and the CAM for Q1 FY 2021, till the time we are shut we are not paying as we have invoked force majeure.

Yogesh Kirve: And beyond 1Q as well, right? Till the time the property's open?

Alok Tandon: Till the time we are shut.

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

Urmil Shah: Sir, my first question is on the content lineup. Even when we are allowed to open the big budget movies might take six weeks to eight weeks for footfalls to stabilize and then come in, which would put pressure on Q3 as regards the weeks available for release of this content. So given that scenario I would like to have your comments on, how does the content lineup looks available from the point of view of Q3 and Q4?

Alok Tandon:

Okay. Let me tell you, Urmil, that when you open surely for the first one or two weeks, we will have to show library content, no running away from that. But when we speak with producers and distributors and other content creators today, what we know that 14 films are absolutely ready and this I am talking about the Hindi language films. There are about six films, which are in post-production should be ready in the next two weeks to three weeks after the government allows them to start to work and which I have heard have already started. And there are about 16 films where the shooting is pending depending from about three weeks to four weeks to about a month or two.

So we have got 14 films ready and 22 which can be made ready in two months to three months of operational. There is another big chunk of movies from other Indian languages like Tamil, Telugu, Malayalam and when our team met or discussed with various producers over there, we have got another line up of about 53 movies; 53 movies across other Indian languages, which are absolutely ready and can be shown when we open our multiplexes.

So content, yes, will be a challenge for the first two weeks, as I said that we will have to show some library content. But after that, there will be a slow but surely a steady trickle of movies, so we can see a new movie being released every Friday. And it will take a couple of I would say months about four months - five months to go back to the heydays of having 20 titles to 25 titles being released on a Friday. But that is not far, four months to five months after the lockdown opens, we should be back to normal.

Urmil Shah:

Sure. Sir, I appreciate that it will be difficult to gage you're the exit outcome. But you mentioned, that the weekend occupancy gets impacted and that I mean, spillover to the weekdays. So given that there would be a less number of weekends available from the second-half point of view, can there be a risk towards relatively lower box office collection, because of less availability of weekends?

Alok Tandon:

Because of less sorry, just repeat that, please Urmil?

Urmil Shah:

Sir, given that there will be a bunching of movies there and you will have less weekends available with the weekend occupancy also being lower than the normal, is that a risk factor for the box office collection for these movies?

Alok Tandon:

No, I do not think because, as I said that I doubt there will be a bunching of movies in the first one or two months, but then, the weekend occupancies are compensated by the weekday occupancies. What we are interested is in the total footfalls coming in per week. And that, I think, will not dip away. People who do not come on weekends, they will come on weekdays for sure. So I do not see any reduction in box office collections. Bunching will not be a challenge for the next couple of months. Today, we handle about 20 to 21 releases every week. So I do not think that this will pose as a challenge for us in the short-term.

Urmil Shah: Sure. Sir, my next question was on the interaction with the Government and not just the exhibitors, but also the property owners. So what are the factors where both, you as multiplexes and the Government need to come on the same page? Of course, I appreciate you cannot disclose the exact thing, but at least the factors there is still the disconnect?

Alok Tandon: Well, I do not know where the disconnect is because we have been very transparent with the Government in all our presentations. We have shared our SOPs with them, we have told them about all our stringent methods we are going to adopt for sanitization and for deep cleaning. We have also talked about various social distancing norms, so we have been quite open with the Government. But it depends on them, I think they have got larger things to look at and surely, we are hoping that we will be a part of Unlock 4. We missed the bus in Unlock 3, we were not allowed to open.

But I think in all this prudence, Government has taken a decision, we are requesting the Government of India, again, to re-consider their decision and allow us to open. What we are saying, we are absolutely safe for anyone to walk-in, we have demonstrated that by doing various rounds with the press, with the TV crews, with the print media; we have shown them the entire journey of a guest from entry till exit, that how we are going to ensure that he feels safe in an environment, so we have done all that. But now, it all depends on the Government and we are requesting and we have written letters to them to allow us to open soon.

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

Jinesh Joshi: I mean, I see that our monthly burden has come down to about Rs. 11 crores to Rs. 12 crores and we have about Rs. 36 crores in cash. So I mean, if we borrow Rs. 30 crores more than we are covered for six months as far as our liquidity needs are concerned. So this, Rs. 250 crores of fund raising plan appears to be slightly out of place, so if you can just throw some light on this?

Alok Tandon: No, Jinesh, as I said, it is an enabling resolution that we will raise based on our performance, once we begin operations, I just said that earlier. And there is no fixed plan today of raising Rs. 250 crores, immediately. The Board has allowed us to raise this money when we feel it is necessary. And you are absolutely, right, we have Rs. 36 crores with us, we get another Rs. 30 crores, we are good for another six months in totality then. So it is just an enabling resolution, which has been passed by the Board.

Jinesh Joshi: Okay. So I mean, can you share what is the actual requirement, actual fund requirement, something, which you have in mind enabling resolution figure could be high, but something which you have in mind?

Alok Tandon: No, nothing as of now.

Jinesh Joshi: Okay. And when it comes to fundraising, I mean, we also have some real estate on our balance sheet. Now, I know that it might be difficult to find a buyer in this environment. But instead of raising capital in this kind of environment where you may not get the right price, should liquidating real estate be not be a good enough choice? I mean, what are your thoughts on that front?

Alok Tandon: Well, it is the same thing, whether we go for an equity raise or real estate, the market is the same. So that is a call which we will take when the time comes. Today, as I said, it is just the Board has told us that we can go ahead if we require and whenever time comes, we will exercise that option which has been given to us. So whether it is treasury, whether it is a rights issue, whether it is any other way of raising money or as you said that by having a sale and leaseback model where real estate is concerned that is something, which we will decide when the time comes.

Moderator: Thank you. The next question is from the line of Amit Jain from Samsung Asset Management. Please go ahead.

Amit Jain: My question was on the developer side, so in our negotiations, if I just look at the numbers, it looks like only about 4% to 5% roughly of your contracts is what you have got a finalization on and the balance is still pending, is that number sort of right?

Alok Tandon: So, I would say that there are lots of developers where we have got written confirmation from them that they will not charge us rentals or CAM during the lockdown period. So we have quite a few of them who have told us and the figure is much more than 4% to 5% as you say. But as we have already said that every developer of ours has been spoken to and they have been in favor of the multiplexes bouncing back when we open. So the thing is that Amit, we have also as I said earlier invoked that force majeure, the paperwork and the documentation is going on and there is no doubt that the developer will not charge rent or CAM during the force majeure period or till the time we are shut down.

Amit Jain: Okay. So what you are saying is basically that we have a sort of a verbal agreement but not in the sort of press release that you have talked about Rs. 86 crores that it is not written right now. The verbal agreement with a larger number of developers has been reached?

Alok Tandon: Yes, absolutely.

Amit Jain: Okay. And the second question is, basically, if I look at your Presentation as well as logically, is that you are looking at a revenue share. Now obviously, from your perspective, you only would want only this year as revenue share, because this year is going to be the most difficult period, whereas from developers perspective, he will obviously want to recoup some of the losses he has made this year. So he would want it for a longer time frame, could you just talk us through how that sort of negotiations going on and what sort of broad ballpark revenue shares you are looking at?

Alok Tandon: Well most of our leases are for longer period, so what the developer and we are discussing is this eight months and nine months in a 20-year-old period will not make a difference. So what we have spoken with the developers is we need your help till 31st March, 2021, which is about seven months or eight months away. We need help from you till the time we open, because they also know that movies will be less, which I just asked about, so the first two weeks, we will have to show library content and then there will be a trickle of movies, which will come in. So it will be a win-win situation for both of us whether developer or the exhibitor to have a revenue share at least till the end of this financial year. And as I said earlier, most of them have agreed to it and we are hopeful that the others also whom we are in touch with for the remaining part of the year will also agree to our request.

Amit Jain: So for those that you have agreed with in that particular case, this will waived off till cinema halls are shut. Beyond that, we will do a revenue share in March and then, we revert back to the old fixed rental scheme that we were on, is that a fair statement for those who agree?

Alok Tandon: Yes.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Sir, for the fund raise, let us say, have you explored any alternative ways of generating cash flow, one idea is coming up with a form of a discounted coupon or a discounted card with its validity for a year with on a certain number of shows, just like we are seeing this happening in the hotel industry, where the deal is coming up which provide consumer access over a one year period. Has such kind of thought process coming or happened anywhere in the multiplex or the theater industry anywhere globally for raising this cash flow?

Alok Tandon: Well, we thought about it, we went against it, and we said, it does not make any sense at all and hence, we did not pursue it further. Whether anybody else is doing in the world, I really am not aware of it. But we at INOX thought about it and then, we said that, let us stick to the normal way of us selling tickets rather than going for this way and getting in monies.

Pritesh Chheda: Why? What is the reason against the concept?

Alok Tandon: No, there is no reason to it, how much will you do? Maybe 1,000 people - 2,000 people come to you that is it to buy tickets from you for the next couple of months. So it does not add any value to us and hence, we did not go ahead with it.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Just one clarification, one on the rental part, which you mentioned. Now we have verbal communications still for the waiver of rentals as well as CAM, till the time lockdown is there.

But is there any communication or while you are discussing on the revenue sharing model there, but is there any confirmation from the builders on that side, post if the lockdown opens?

Alok Tandon: Yes, Ankur, there has been from quite a few of them revenue share till the lockdown.

Ankur Periwal: Okay, sure. And second thing, on the cost cutting initiatives, pretty impressive performance here this quarter. How much of these costs you think there will be a rebound once the lockdown opens? So presuming the rent and CAMs, the negotiations that we are taking will be largely on rent and even on CAMs, are we thinking on those lines?

Alok Tandon: Well yes, as I just discussed, I think I answered that question in a different way just now. That once we reopen, our fixed costs, some of them will increase, for example, power will go up for sure, we do not know how many hours we will be able to operate, so the power cost is directly proportional to the number of hours we operate. We said that we will start and we will have a lean manpower, so that cost will come down, Ankur. We will have less advertising expense, repair and maintenance surely will be less because as I just said that our teams have been working in properties will ensure that everything is fine with repair and maintenance concerned. So yes, there could be a reduction once we open in all the fixed costs which are there.

Ankur Periwal: Okay. And lastly, on the CAPEX front, now you did mention almost 41 screens are largely ready for us to take position since most of the work is already done, is there incremental CAPEX required to get those screens on board and what that number could be roughly?

Alok Tandon: No, Ankur, I do not think there will be any incremental. For example, whatever work is left, yes, for that we will have to have CAPEX spent. But I do not think from what is budgeted, there will be incremental than that. Whatever work is left, yes, we will have to pay that, so that expense will be there for sure.

Ankur Periwal: Sorry, when you mentioned 85% of the work is complete I will presume 85% of the CAPEX is already being spent, will that be right?

Alok Tandon: Absolutely. So another, I would say, Rs. 20 crore to Rs. 30 crore, we would require to complete these screens.

Ankur Periwal: Yes, precisely, that was my point.

Moderator: Thank you. The next question is from the line of Prateek Barsagade from Edelweiss. Please go ahead.

Prateek Barsagade: Just one question I had, is there any discussion going around with the content producers towards change in the revenue sharing model?

- Alok Tandon:** No, nothing as of now, we all want to open, we all want to have movies shown to our guests, so no discussion about the model which is prevalent till now.
- Prateek Barsagade:** Sure. And sir, just one more question, so there is another Rs. 21 crores of CAM, which is not recognized, so where do you stand on this? Is this payable in the future or will this also be waived off?
- Alok Tandon:** CAM charges during the lockdown, we have not paid at all. There is no CAM charge during the lockdown period.
- Moderator:** Thank you. The next question is from the line of Sayan Das Sharma from BOB Capital Markets. Please go ahead.
- Sayan Das Sharma:** Sir, couple of questions. One, last week there was news that AMC Entertainment in USA has entered into an agreement with Universal Pictures for reducing the theatrical window from about three months to about three weeks. So do you think once screens open that it can possibility in India also that theatrical window is curtailed for OTT?
- Alok Tandon:** Well, longer theatrical window is always good for the industry because we have seen that if it does well at the cost of it, it comes as a higher price at the OTT. So it is always nice to have a longer theatrical window and we all know that about 60% to 65% of revenues come from domestic theatrical. So it depends on how it pans out, but we at INOX are sure that we will continue and partner with the movie producers to ensure that eight weeks window, which is prevalent today and this window is prevalent globally it is no different in India, but the time will surely let in India with eight weeks stays for all the movies, which have a theatrical run.
- Sayan Das Sharma:** Okay. That is helpful. Second a small bookkeeping question. If I look at our net debt position, it has gone up from about Rs. 110 crores to about Rs. 180 crores between March and July. So that is Rs. 70 crores of incremental debt, but if you look at our EBITDA was about negative Rs. 35 crores and the interest of Rs. 5 crores. So Rs. 40 crores of cash flow there and maybe another Rs. 12 crores of cash flow in July. So cash outflow is Rs. 50 crores, while debt has gone up by about Rs. 70 crores. So what I am missing sir, this Rs. 20 crores has gone where? I mean, CAPEX is unlikely in this quarter?
- Kailash Gupta:** So we also have the working capital. One side, we are collecting from our debtors, which was the advertisement debtors and the other side, we have some payables as well. The difference is on account of working capital.
- Moderator:** Thank you. The next question is from the line of Depesh Kashyap from Equirus. Please go ahead.

Depesh Kashyap: Sir, in China, cinemas are opened since July, but the Government has not allowed the food and drinks to be served in the halls. Do you have a sense what is happening in other parts of the world? And will we be ready to open if this kind of restriction is there in India also?

Alok Tandon: Well, I do not know it is a very hypocritical thing. But for us, F&B and advertising are major sources of revenue. We all know that food does not spread COVID, it is a myth and what we are telling the Government, even with the proposals we have given is that we will have a limited menu, limited because we will have initially less people coming in. We will have manpower which is just training or learning how to live with COVID-19 and serve guests, so that is the reason. But our proposal to the Government is that we will be selling food, but yes, with a limited menu. Other parts of the world, food is being served, it is only very, very China specific. But otherwise, whatever information we have from other parts of the world, food is being served in cinemas.

Depesh Kashyap: Understood. Sir, secondly, the Disney has announced yesterday that their movie Mulan will be going for the parallel theatrical and OTT release, so do you think that studios have actually become more powerful with their own OTT platforms and such things may continue even in the normalcy returns?

Alok Tandon: Well, they have gone on VOD, so it is a VOD and VOD is there for the last ten years. It is nothing new. Yes, it is s Disney's movie, Disney can decide to do anything they want. But I think that they are just trying, because they know that the theaters are not opened, whatever theaters have opened initially, the footfalls are less and they have openly said that we are just trying this model out. But it is a VOD model, it is not free for anybody who has got that OTT subscription. And as I just said, that VOD has been there for about last ten years and nobody is discounting that people will not release movies in theaters. Theaters even the biggest of producers, the biggest of movie makers and directors have said that theatrical release is the best form to watch a movie and nothing can compare the experience of watching the movies on a giant screen compared to an OTT platform or a small screen. So people are just trying different models that is it. It is their business and why should not they, but we strongly believe in the theatrical way of watching a movie and all the studies, which we have seen over the last four months people want to experience a movie on the giant screen.

Depesh Kashyap: Understood. Sir, lastly on the advertising bit, just wanted to understand how much of your advertising for that sort of long-term nature and has there been any cancellations of the same in the past few weeks?

Alok Tandon: Well, no cancellations because there have been no orders for the last three months or four months long-term is already in place, we have got some long-term deals, but when theaters are shut, I do not think that anybody is even talking about the advertising deals as of today. It will only happen once we start reopening, because every industry is going through the same pain point as we are going that there is a cash crunch everywhere, liquidity is less, supply is there, but people,

the consumption is down. So that is hitting everybody and that is a thing we will discuss with the advertisers once we are close to opening.

Moderator: Thank you. The next question is from the line of Nihar Shah from New Mark Capital. Please go ahead.

Nihar Shah: Just wanted to get a little bit of an understanding in terms of when do you sort of think that you will have a plan to raise the capital because cash balance that you are sitting on right now at about Rs. 36 crores seems to be just sufficient for about a quarter of expenses. So when do you think that you will sort of firm up your plan for your capital raise?

Alok Tandon: Well we are also very hopeful that in the next three months cinemas should open and then we will have monies coming in, there will be cash flowing into the system also. So it is too early to decide that when we will take a call on going to markets or raising capital or doing anything which is there. So speaking today, I will not be able to answer that question, it all depends on for how long we are shut. Because we as a company feel that today, we just have a resolution which has been enabled by the Board but we are in no hurry to raise this capital. We take our time after seeing various scenarios and then we will only decide when to go ahead and raise this money.

Nihar Shah: Sir, what you are saying is that you are saying from a cash flow perspective you are quite confident that once the theaters open you should be profitable from day one, is what it is.

Alok Tandon: Well, difficult to say profitable from day one. But yes, monies will start coming in, cash will start flowing in and we will take a decision once we see that what happens when our cinemas are open and properties are open, what is the occupancy? What are the flow of movies? So that is a call which we will take then, not today, I cannot decide that now while speaking with you that when we take a decision.

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

Ashish Kumar: Hi, Alok, I know you are doing a good job in tough time, but just wanted to check on this whole fund raising. In terms of priority whether a fund raise by dilution or an asset sale whether as a treasury shares or something else, what would be your priority, just wanted to get some comment on that?

Alok Tandon: As I said, there is no priority as of now we have not even yet decided, the Board has just allowed us to go ahead and raise capital if needed. Again, I said that, today, we do not know how will we do it, theaters are close to opening and we will see that or we decide that when our theaters have been shut for a long time and we the onto even see any sight of cinemas getting operational in the next two months to three months, I would say then we will decide on various ways of doing it, what we do first. So that is what I answered earlier, my answer remains the same. And

as I said that once we open, we will have cash coming in, we do not know that how much that cash will be, we are presuming things to be bad or good, we really do not even know that how it will be. So that is a call we will take later on.

Moderator: Thank you. Ladies and gentlemen, due to time constraint we will take that as a last question. I would now like to hand the conference over to Mr. Girish Pai for closing comments.

Girish Pai: A special thanks to INOX management for giving us this opportunity to host this call. I would also like to thank everyone for taking part. You can all disconnect, wish you all a good day. Bye.

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