



“INOX Leisure Limited FY14 Results Conference Call”

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MODERATOR: **MR. ABNEESH ROY – ASSOCIATE DIRECTOR, RESEARCH, EDELWEISS FINANCIAL SERVICES LIMITED**

Moderator Ladies and gentlemen good afternoon and welcome to the FY14 Financial Results Call with the management of INOX Leisure 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. Abneesh Roy – Associate Director, Research, Edelweiss Financial Services Limited. Thank you and over to you Mr. Roy.

Abneesh Roy Good morning and thanks to everyone for joining us today. We would like to welcome Mr. Deepak Asher – Director and Group Head. Mr. Alok Tandon – CEO of INOX. Mr. Upen Shah – CFO of INOX and thank them for giving us the time and opportunity to host this call. Today they will be sharing with us the company's FY14 financial results and business updates post which we will have the Q&A session. Over to you sir.

Deepak Asher Thank you very much Abneesh. And a very good morning to all of you. This is Deepak Asher Director and Group Head of the INOX group of companies, welcoming you on behalf of INOX Leisure Limited. In fact I would like to extend a very warm welcome to all of you to this earnings call organized by Edelweiss. I am indeed grateful to all of you for your time and the interest you have shown in tracking the performance of this company. I am joined on this call by my colleagues Mr. Alok Tandon the CEO of our entertainment business and the Mr. Upen Shah the CFO of the company.

I would like to start by giving you a snapshot of the financial and operating performance of the company for the fourth quarter of the financial year 2013 – 2014. In appreciating these numbers do keep in mind that traditionally Q4 usually has been the weakest quarter of the financial year. The comparison I shall present therefore shall be to the same quarter in

the preceding financial year in order to account for seasonality. Ticket revenues during Q4 of FY13 – FY14 stood at Rs.124.50 crores which is 4% higher than the Rs.119.80 crores clocked on tickets revenue account in the same quarter last year. Annual ticket revenues closed at Rs.596.56 crores which is 7% higher than the Rs.558.76 crores of annual ticket revenues clocked last year. Total revenues including other income during the quarter stood at Rs.194.37 crores which registered a growth of 13% over total revenues including other income of Rs.171.88 crores clocked in the same quarter last year. Annual total revenues grew by 14% ending this year at Rs.877.77 crores as compared to Rs.768.91 crores that we did in the last year. EBITDA during the quarter stood at Rs.22.35 crores which was 187% higher than the Rs.7.78 crores of EBITDA that we clocked in the same quarter last year. Annual EBITDA at Rs.130.90 crores showed a 29% jump over the Rs.101.63 crores that we did in the last financial year. PAT during the quarter was Rs.1.53 crores which in percentage terms is not comparable with a negative PAT of Rs.9.95 crores that we clocked in the same quarter last year. Annual PAT at Rs.36.93 crores is almost twice the annual PAT of Rs.18.45 crores that we did last year. So that's the financial performance. In terms of operations, the year 2013 – 2014 content wise was a mix bag of hits and misses with a first six months doing quite well but the next six months meeting a bit of short of expectations. We had six films during the financial year which crossed the Rs.100 crore club in terms of net box office collections. This included films like Yeh Jawani Hai Diwani, Bhag Milkha Bhag, Grand Masti, Krrish 3, Ram Leela and Jai Ho. In addition to these six films that crossed Rs.100 crores net box office collection mark, we had one film which crossed Rs.200 crores which was Chennai Express and one film which crossed Rs.250 crore club which was Dhoom 3. The last time a film crossed Rs.200 crore club was 3 Idiots in 2008 and no film has ever done Rs.250 crores of net box office collections before Dhoom 3. While this obviously augers well for the sector, on the other hand there were quite a few misses as well. Satyagraha, Once Upon a Time Dohara, Besharam,

Boss, Bullet Raja, Shaadi Ke Side Effects all failed to click at the box office and this dampened performance in the second half of the year to quite an extent. On the key operating parameters during the year we have seen virtually the same performance that we did in the preceding year- total revenue per patron was Rs.205 which is almost around the same as it was in the preceding financial year. Occupancy levels also have been virtually the same which is at about 28%. However, we have seen a significant improvement in advertisement and other operating income this increased from Rs.25.20 lakhs per screen per annum to around Rs.37.90 lakhs per screen per annum this year a growth of almost 50%. We continue to see a significant headroom for further improvement in this area. In terms of property openings we opened nine properties with 40 screens during the past financial year including at Surat, Panchkula, Raipur, Jaipur, Madurai, Greater Noida, Calcutta and Manipal helping us cross a significant milestone of 300 screens under operations. In fact at the close of the year we operate 79 properties in 43 cities with 310 screens and 83,809 seats under operations. We continued to remain focused on both organic and inorganic growth and we are working on several projects lined up for opening during the financial year. We have a line up in fact of around 20 properties comprising of around 82 screens which are in various stages of fit outs and barring unforeseen circumstances should get operationalized in the foreseeable future. With this backdrop I would now like to hand over the proceedings to the moderator for ask for a Q&A session, thank you.

Moderator

Thank you very much. Participants we will now begin with the question and answer session. We have the first question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah

Just had two questions basically. I just wanted to know how much of a ticket revenues come from online sales?

Deepak Asher

Okay I will just hand this over to Alok to respond to that.

- Alok Tandon** Well online sales contribute about 18% to 20% of the collections which we have, the box office collections.
- Niket Shah** Sure and that's only coming from INOX and not with something like a BookMyShow or something?
- Alok Tandon** No it is combined, when I talk about online, it's combined.
- Niket Shah** It's combined, okay. And has there been any change in the bonus structure as far as your sharing with the producer is concerned or it's pretty much the same it was earlier?
- Deepak Asher** So, I think the turns of revenue sharing if that is what you mean between producers distributors on the one hand and exhibitors on the other hand remains the same. The structure remains the same, obviously the percentage changes depending on the performance of the films.
- Niket Shah** Sure, but there is no change in the bonus structure which is over and above the 50% that we typically used to share with them?
- Deepak Asher** No.
- Moderator** Thank you. We will take the next question from the line of Mr. Abneesh Roy, sir you may go ahead.
- Abneesh Roy** On the ad revenues you said the focus has been high so could you give us some insights as to the different sectors how much is coming from FMCG and if you see there is a gap between your ad revenues and PVR's ad revenues so if you could elaborate how we plan to bridge that gap and why the gap is there currently is it because of the location differences etc?
- Deepak Asher** Yes, again I will request Alok to respond to that.
- Alok Tandon** Well answering the second question that how it's increased and the location which we have and how things have improved well just to tell

you over a period of time we had hiked our ad rates, we have focused on very high value and long term deals, what we have also done is that we have gone out to the market and started devising various activities with the clients so our marketing goes out and devices programs for the clients which see to it is done together on the screen or off the screen. We also have government and DAVP advertisements which we are targeting and also there is a very, very strong focus on off screen advertising. So, this is how we have seen to it that our ad increase. Also what we have done over a period of time is seen to it that the internal lobby area the back of the house, the exit corridors the toilet are monetized. So that's because a person when he comes into an INOX property from the very first touch point which is buying a ticket from the box office till he exits out I think so that we can interact and we can talk to our clients and this is what various advertising companies look at and that's why we have worked on together to see that the ad sales increase. Where you said that FMCG and other things are concerned, yes we have got FMCG, telecom and various other sectors that which we are banks also financial institutions that we are targeting.

Abneesh Roy

With a new government in place do you see your ad revenue growth in FY15, higher than the growth we have seen in FY14 and could you comment on the gap with the PVR how do you plan to bridge that gap, do we benchmark our advertisers versus them and do we also track other media like TV, print etc. so I wanted to understand how do we take it to the next level in terms of ad revenues?

Deepak Asher

See, I do believe that there is as I mentioned in my introductory remarks significant headroom for improvement in this area. It's a key focus area for us because you must appreciate that unlike ticket revenues where we share a significant part of the top line with distributors and tax authorities and also F&B revenues where again we share a significant part of the top line with the providers of the supply chain and tax. Here, a large part of the top line adds directly to the bottom line and clearly, while we have

been successful in growing this revenue item by 50% on a per screen per annum basis we continue to believe that there is further scope of growing this at least by 50% in the coming financial year. I do not believe this growth is going to be driven by the new government, it's just that greater footfalls and greater opportunities of optimizing or monetizing the advertising space or interaction points that we have with patrons will lead to this kind of revenues, I am not sure what you meant by whether the change in government per se would have a role in increasing advertising revenues.

Abneesh Roy

It was regarding the sentiment improvement if you see except FMCG the other sectors in the last two years have cut down so for example consumer durables, BFSI those kind of sectors have cut down real estate so do you see those sectors are now growing much faster for us?

Deepak Asher

Well, one would expect with improvement of sentiments, improvement of economy, discretionary spending would go up and therefore you would see greater footfalls as well and probably better pricing power, better F&B revenues and better advertising revenues so that probably would drive overall top line better in the coming months.

Abneesh Roy

My second question is if you see Q3 it was a tough quarter for the entire industry post which in Q4 we have seen a box office performance improved so from here on the pipeline a movie will better versus the last few months so in that context do you see the occupancy levels and ATP rising so could you give some color on that?

Deepak Asher

Well, we all realize at the end of the day the patron comes to see content and not the hardware that we provide and therefore it's essentially a content driven business, but if you look at the long term trend of content to a large extent content has been improving, if you just measure for example the number of films that crossed 100 crores which we call the exclusive 100 crore club these are like one film in 2008, one film in 2009,

two films in 2010, five films in 2011, 9 films in 2012, and around 8 films in 2013, in 2014 in the first quarter traditionally a weak quarter has already seen one film crossed 100 crores so clearly the content pipeline is improving and based on what we know we expect a robust content pipeline going forward as well.

Moderator Thank you. We will take the next question from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal You mentioned that you are planning to add 82 screens over a period of time, could you kind of give us a timeline as in FY15 how many we look to add?

Deepak Asher Well, the 82 screens that I mentioned was the expected property pipeline for FY15. Obviously, some of these properties are going to be based on how fast the developer can hand them over to us and how fast the regulatory approvals will take but barring unforeseen circumstances you could see that kind of order of magnitude of properties opening in the next financial year which is by March '15.

Avinash Agarwal How many do we plan in FY16 because I think we would have booked the properties for that as well?

Deepak Asher Well, again we don't have a very clear line of sight on that. we have booked quite a number of properties but again there will be more property bookings which will happen also over the next 12 months including for FY16, so that's a number on which we would like not to put a finger on at this stage.

Avinash Agarwal Sure and you mentioned about ad revenues that we expect 50% increase going forward from here so is that per screen or is it on a total basis?

Deepak Asher Yes, we have clocked 50% growth in ad revenues on a per screen basis and we expect to maintain that moment of growth going forward as well

so yes we would expect a significant growth in advertising revenues on a per screen basis. The absolute growth in advertising revenues would be higher than that because of the addition in terms of number of screens as well.

Avinash Agarwal These 37 lakhs per screen is the advertising revenue and other operating income that we have got this year?

Deepak Asher Yes that's right.

Avinash Agarwal Can you give us a breakup of the, you have given ticket revenue but F&B and ad revenue as well for the quarter and for the full year?

Deepak Asher Okay in very broad terms for a quarter we had ticket revenues for 124.50 crores, F&B revenues of 34.2 crores, advertising and other operating revenues of 29.6 crores and other income of 6.05 crores this is for the quarter. The aggregate is 194.37, for the full financial year ticket revenues added up to 596 crores, F&B to 162 crores, advertising and other revenue was 109 crores and other income was 8.9 crores this aggregated to 877 crores.

Avinash Agarwal Sure thanks a lot. And in terms of, I mean there is an expectation building up of something some changes in tax structure so in a hypothetical situation if GST comes through in the next one or two years what is the kind of benefit we can see?

Deepak Asher I think again we haven't done a calculation of how much in terms of absolute value the benefit could potentially be because we are not sure of what kind of rates it would eventually prevail in a GST regime. But clearly there is going to be a significant improvement in performance with the advent of GST and if entertainment tax is subsumed in the GST regime for two reasons one is the tax on top line could arguably go down because while blended tax rate is around 18% there are some states that levy taxes which are almost higher than that and therefore to the extent that GST to

arguably be between 16% to 18% there is going to be a significantly improvement in top line in the net top line that will be able to retain after tax and the second advantage as we see is the fact that a lot of our input taxes would be set off against output tax which is something which is not feasible right now because our input taxes are not off-settable against entertainment tax that we collect on our output so in that sense input taxes and output taxes do not speak to each other whereas in a GST regime they would be off-settable that could be the second big advantage because of the advent of GST.

Avinash Agarwal So you mentioned 18% of top line is entertainment tax?

Deepak Asher On a blended basis yes.

Moderator Thank you. We will take the next question from the line of Rishabh Chudhgar from Enam Holdings. Please go ahead.

Nihar Shah This is Nihar Shah over here from Enam Holding I just had one question which was from a longer term perspective over the next three years. How do you see this business progressing so what's the kind of revenue growth to the screen addition that you can see as well as ticket pricing and where do you see the operating leverage and the margins of this business say over the next two to three years?

Deepak Asher Well, two to three years is actually a very long period to be able to give you explicit forecast but we continue to remain bullish about this sector. We see growth happening both organically and inorganically. As I mentioned to you we have a pipeline of about 20 properties, 80 screens that should open in this current financial year. We see no reason as to why that momentum of growth should not be maintained going forward as well. In addition to that there also remain inorganic growth opportunities which should present themselves in the foreseeable future. The way the industry is structured, there are three or four large national chains and there are about 15 to 20 regional chains and as happens in many sectors,

one would expect some element of consolidation happening in this sector as well and therefore growth both organic and inorganic could lead to significant economies of scale that would improve on the operating leverage, I mean I can only at this stage mention that in very generic terms. I don't think we would be able to get into specific numbers over three to five year time horizon.

Nihar Shah

Okay, I just had a follow up to the same question. From return on invested capital perspective where do you see this business being, is this 20% plus ROCE business on a steady state basis?

Deepak Asher

Yes, one would expect to reach that level though we are short of that level. I must admit at this stage but that's also because of the fact that we believe there is potential for improvement of operating margins going forward but one would expect to reach those kind of levels in the near future.

Nihar Shah

So, aspirationally when do you see yourself reaching that kind of an ROCE?

Deepak Asher

As I said I would be hesitant to give you specific timeframes but that's clearly the goal.

Nihar Shah

And I am sorry I am pushing you a bit on the numbers but from an EBITDA margin perspective can we expect a steady state 100 to 200 basis points improvement on an annualized basis over the next couple of years?

Deepak Asher

Surely yes.

Moderator

Thank you. We will take the next question from the line of Rohit Dokania from IDFC please go ahead.

Rohit Dokania

Could you give us the breakup of ad and other operating income into ad and others?

Deepak Asher Okay just one sec. I will request my CFO Upen to provide me with those numbers.

Upen Shah Advertisement income-

Deepak Asher So, if you want to move to the next question we will try and handle that-

Rohit Dokania Okay, so the next would be also the total footfalls for the fiscal FY14?

Deepak Asher Okay footfalls for the fiscal FY14 would be 40231798 so that's about 40 million, 4 crores footfalls, 4.02 crores in fact as compared to 3.81 crores in FY13.

Rohit Dokania And also would you have the net debt number as of FY14 handy with you?

Deepak Asher Sorry.

Rohit Dokania Net debt as of FY14?

Deepak Asher Rs 233 crores.

Rohit Dokania Sure, now the previous one if you can just answer on that?

Deepak Asher Yes, I will do but just one qualification on the debt number against Rs 233 crores of debt we also have treasury stock as an asset so depending on how you value that you would probably strike that off against the debt.

Rohit Dokania Sure fair point.

Rohit Dokania Upen will take some time to pick that up so maybe we can move on and I can get back to separately on that, just a sec.

Upen Shah Advertisement income is about Rs 50 crores and Other Income is about 60 crores.

- Moderator** Thank you. We will take the next question from the line of Riken Gopani from Infina Finance. Please go ahead.
- Riken Gopani** One thing is on the rental cost, for the full year it has grown at about 16% and the screen count is grown by about 10% or so and also in the light of newer screens opening in to not necessarily metros wanted to just understand the trajectory on the rental cost and what kind of inflation do you foresee there?
- Deepak Asher** Well, first of all the inflation on rental cost is roughly about 3% to 4% per annum this is usually fixed in advance because we have long term lease rentals with the property owners and in most agreements we have escalations of about 10% every three years in some 12% to 14% every three years so that in any case is already frozen.
- Riken Gopani** Okay, so my question was mainly because the rental increase was higher than the overall screen addition this year or so any specific reason?
- Deepak Asher** That would probably because of timing for example if some property has kind of gone up or rather started operations for earlier in the 12 months in the year you would see a higher rental during the year. If you look at rentals per screen I think it was about 45 lakhs per screen per annum last year which is FY13 versus 47 lakhs per screen per annum in FY14 there is an increase of about 3%.
- Riken Gopani** So on a per screen basis the inflation should continue at about 4%?
- Deepak Asher** More closer to 3% actually.
- Riken Gopani** And in terms of the newer screen opening that you have, would that be given the current base of screen it goes into the Tier-1 cities and what impact does that have on the per screen number overall?

- Deepak Asher** Well, I think there would be a mix of Tier-1 and Tier-2, so I don't think that is on a blended basis it would be significantly different from what we already have.
- Riken Gopani** Okay the openings also would have similar kind of mix?
- Deepak Asher** Right, yes.
- Riken Gopani** Second, as you mentioned right now the kind of opportunities that we have both on an organic and on inorganic spaces as well so on an inorganic basis given the kind of treasury stock we also have, do we see opportunities more where promoters are ready to onboard as a shareholders of INOX or you think generally these would also be cash kind of deals that we see in this business.
- Deepak Asher** Well, obviously it's difficult to say that , we are open to looking at all kind of opportunities and depending on what opportunities present themselves in the future we will consider them carefully.
- Riken Gopani** And lastly in terms of other income just I wanted to understand there was a sharp increase on that particular line item what has been the reason for there, it's about six crores for the quarter?
- Deepak Asher** Okay, these are the write-backs of some liabilities and provisions that were made in the earlier years which were then considered to be no longer required.
- Riken Gopani** Okay that would be the incremental amount for the quarter right.
- Deepak Asher** That's right.
- Moderator** Thank you. We have the next question from the line of Vimal Gohil from Sharekhan. Please go ahead.

- Vimal Gohil** Just I missed out on the number of property that you have opened in this particular quarter, in this particular year and the total number of screen that you have right now?
- Deepak Asher** Yes, we opened nine properties with 40 screens in the current financial year. We are currently operating 79 properties in 43 cities with 310 screens and 83,809 seats.
- Vimal Gohil** How much are you planning to reduce your debt by in the coming fiscal?
- Deepak Asher** See that's a difficult question to answer because as I said we continue to look at opportunities for growth both organic and inorganic and the amount of debts that will carry going forward would be a function of what kind of opportunities present themselves and how we intend to raise capital for the opportunities.
- Vimal Gohil** So, you don't mind even raising debt for your expansions plans?
- Deepak Asher** If necessary that is a possibility but as I said it depends on what kind of opportunities we have.
- Vimal Gohil** And for the margins we are assuming 100 to 200 basis points for FY15 right.
- Deepak Asher** One would expect I didn't say FY15 but I do expect that kind of improvement in the future.
- Moderator** Thank you. We will take the next question from the line of Avinash Agarwal from Sundaram Mutual Fund, a follow up question. Please go ahead.
- Avinash Agarwal** Just this other operating income of 60 crores seems to have increased a bit, so can you tell us what are the important components of those?

- Upen Shah** The important components of other operating income are conducting fees and virtual print fee incomes then convenience fee on online ticket booking, these are the main component, major component and also we have certain management consultancy fee from operations of certain cinemas run under the INOX name.
- Avinash Agarwal** And what has driven the growth in this year?
- Deepak Asher** I think largely it is virtual print fees because of the investment we did in digitization of our projection systems.
- Avinash Agarwal** And we share with the distributors, now with the increase size are we kind of renegotiating with them and looking for a higher share of the ticket revenues from them?
- Deepak Asher** Well that would be the long term goal. We need to see as to what kind of market share do we need to have in order to be able to achieve that goal? But yes, clearly the larger the market share we command, for example, INOX currently holds about 18% to 20% of the multiplex revenues, I would assume that if we can take this up further either because of organic or inorganic growth opportunities I would have a better negotiating leverage with my content providers.
- Avinash Agarwal** And without naming anyone, there were couple of larger players who were up for sale some time back, I just wanted to understand on the industry side are they still up for sale or we are looking more at regional players right now?
- Deepak Asher** Obviously, I cannot answer the question as to whether X or Y is up for sale or not, all I can say is that I am looking at opportunities and I am eager to see any possibility that exist.
- Moderator** Thank you. We have the next question from the line of Anirudh Mohta from Ginni Finance. Please go ahead.

- Anirudh Mohta** I just had two questions. I wanted to know what is the average ticket price we have generated last year? And I also wanted to know we had Mr. Biyani on board last year as an Independent Director so are we looking at opportunities where we could cross sell leisure goods you could throw some light on this?
- Deepak Asher** Okay, in response to your first question the average ticket price during FY14 was about Rs.156 this was very close to the average ticket price of Rs.160 we had in FY13. The spend per head on food and beverage for FY14 was Rs.49 which was marginally higher than the Rs.47 that we had in terms of spend per head in FY13. Both together which is the total revenue per patron was Rs.207 in FY13, which remains at about Rs.205 in FY14. Mr. Biyani has been on our board for quite a few years now and it was strategic relationship with that group and we look forward to opportunities for adding value to each other's businesses.
- Anirudh Mohta** So, have we already started working on any leisure goods on sale because we have lot of spaces like for example some retail sales starts happening on the floor of the INOX?
- Deepak Asher** Well we aren't really selling any retail stuff on our spaces but there is always a potential of marketing and promotion and advertising activities on our premises.
- Moderator** Thank you. We will take the next question from the line of Mr. Abneesh Roy, sir you may go ahead.
- Abneesh Roy** My next question is we have a well-diversified portfolio across all the four regions of the country but in terms of trend which regions are going faster and which are going slower?
- Deepak Asher** Well, you are right we have a very pretty well diversified portfolio properties in different geographies of the country. However I just admit that we ourselves consider to be under represented in the northern region,

not for any specific reasons but only because of the absence of opportunities that we have been able to capitalize on and we do want to focus on that region in the future.

Abneesh Roy But what's the kind growth rates or similar across regions?

Deepak Asher Yes, I think growth trends are generally similar across all geographical regions, from a sector or an industry perspective there isn't any difference, it's just that some chains have a greater focus on some areas and some on some other areas.

Abneesh Roy Could you talk about non-hindi content how the trend has been there either in terms of Hollywood or in terms of the regional content specially say Bengali or south markets or the Marathi is the trend there faster versus Hindi so can that become one more area wherein bigger content can come so you can have better risk mitigation, if you could comment on that?

Deepak Asher Well, very generally speaking I think regional content has a significant presence in the southern market so to the extent that in the four southern states we have significant presence in comparison with other national chains that surely is an advantage but I don't think other regional content, apart from the southern markets there is a significant presence. There is some growth happening in the Bengali market yes but the other regional films really aren't significant drivers.

Abneesh Roy And the next phase of margin expansion in the existing multiplexes where do you see the margin expansion coming, I understand in the mature cities, mature properties it will be difficult but in terms of the properties opened in the last few years is there enough scope of margin expansion in the existing properties.

Deepak Asher I think the key drivers of margin expansion in existing properties will come from structural changes in the tax regime for example GST, as also

any improvements in content cost because of larger sizes leading to operating leverage.

Abneesh Roy And finally in terms of the FIFA are you also targeting that? Can that be EBITDA negative because it will compete for the same viewership, although timings can be different it's largely the late night, but are we targeting that as a revenue source and will the movies be impacted during that period because viewers fatigue can be there because we will be seeing the FIFA so he may not go for the alternate entertainment options?

Alok Tandon I don't think so that FIFA will impact us because the quality and the quantity of movies which are coming out during that period is quite good that's one. Number two yes, as we said that if we get permission then yes we may be able to show a couple of matches if we are allowed to do so and but answering this in a broader way I don't think so that the football matches will affect the footfalls at various INOX multiplexes.

Moderator Thank you. We will take the next question from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani The management focus remains on distribution or do we intent to get into production or the entertainment zone as well?

Deepak Asher No, at least at this stage there aren't any plans to get into production or any other entertainment in fact we have also don't have a significant focus on distribution as well. So we are largely focusing on the exhibition company.

Mayur Gathani What are the number of shares that we held in the trust?

Deepak Asher It's about two crores shares which are roughly about 20% of the capital of the company.

Mayur Gathani And we do intend to sell and probably you can reduce debt or maybe look at inorganic acquisition there?

- Deepak Asher** Yes, all options are on the table.
- Moderator** Thank you. We will take the next question from the line of Vipul Shah from Ripplewave Equity please go ahead.
- Vipul Shah** Just one question is on the CAPEX plan for FY15 I guess to some extent our treasury shares also might be correlated to that so just wanted to get a sense of the CAPEX?
- Deepak Asher** Well, roughly you would see CAPEX of about 1.5 to 2 crores per screen so if I do end up opening 80 screens we would see a CAPEX of roughly about 150 crores about one-third of this would be funded through internal accruals and around two-third that would be through debt. So, you could possibly see about 100 crores of debt coming in, 50 crores of internal accruals deployed for the growth that we forecast.
- Vipul Shah** So, primarily for this CAPEX we don't see the need to sort of look at our treasury shares?
- Deepak Asher** I don't think that would be required for normal CAPEX, no.
- Moderator** Thank you. We will take the next follow up question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.
- Niket Shah** Just wanted to get some industry sense from you. Would it be possible for you to give a broad sense in terms of how much Bollywood movies have released this year as compared to last year?
- Alok Tandon** Well, compared to last year, I will have take it out and tell you but approximately if I am not mistaken what we showed at INOX is anything between 170 to 180 Hindi movies that is what we showed, I am talking about financial year '13 to '14. And English was in the tune of about 120 to 125. These are the titles, the titles which we showed at INOX.

- Niket Shah** Just wanted to understand some basic stuff. Whenever typically for example if Dhoom 3 comes for exhibition, is it possible that the amount of circuit that dedicate to Dhoom 3 might be different than what the competition does?
- Deepak Asher** Well, Dhoom 3 is a relatively easier question to answer. If you expect that to be a blockbuster you would probably want to maximize your screen.....
- Niket Shah** No, so I presume Dhoom 3 was wrong example for any other movie maybe the circuit that you dedicate is always likely to be different than some of your other competition is that a possibility?
- Deepak Asher** Well, frankly again most of the industry has its way of expecting films to do a certain kind of level of box office performance and if their expectation is uniform across the industry then you would want to maximize your screen space to that title. This is unlikely to be significantly different.
- Niket Shah** And would it be possible for you to give us a broad breakup between how much of your revenues come from Bollywood and Hollywood.
- Alok Tandon** Well, just to tell you about if I talk about the GBO, the Gross Box Office about 70% comes from the Hindi movies and about 15% to 20% from the English movies.
- Niket Shah** And as far as your rental agreements are concerned do we have larger focus on revenue sharing or do we always focus on fix rental model?
- Alok Tandon** Well, it's a mix bag, there are some places where we have got a fixed model and there are other places where we have got a revenue sharing with the developer.
- Niket Shah** But it will be largely skewed towards the fixed model at this point in time in terms of your portfolio that you have?

- Deepak Asher** Yes I think significant part will be fixed.
- Moderator** Thank you. We have the next follow up question from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.
- Avinash Agarwal** Just on this average ticket price you have seen a small fall this year, year-on-year any particular reason for that we can attribute? Is it mix between smaller and bigger cities or is it something else?
- Deepak Asher** No, I think to the large extent it's because of the fact that content in the last six months of the year was not as good as we were expecting and if content has kept pace with our expectations you wouldn't have seen that fall in ticket pricing.
- Avinash Agarwal** And the new screens that we are opening 80 odd screens could you very broadly give a breakup as to what it would be between say the smaller cities and the larger cities as you define it?
- Alok Tandon** Well, if you see there are I would say 82 screens which we are opening which is about 20 properties so I would say about Tier-1 would be three or four properties balance would be spread out between Tier-2 and Tier-3.
- Avinash Agarwal** And when we say Tier-2 and Tier-3 what is the kind of average ticket prices in those places?
- Deepak Asher** Well, average ticket price on the blended basis across all properties will continue to be maintain at about Rs.150 to Rs.160 levels which is what we have today so we don't expect any change in that. Obviously there will be some properties which will have an ATP in excess of 200 but at the same time there will be some properties which will have an ATP of 125 odds so the blended average would be about 160.

- Avinash Agarwal** And do we plan to open the high-end properties as well, where we can charge verify premium like 800 or 1000 kind of ticket, do we plan something on those lines.
- Deepak Asher** Well, we are looking at opportunities and we will consider them as they come along.
- Avinash Agarwal** And just one number write-back that you mentioned in Q4 how much was that number?
- Upen Shah** It was 5 crores.
- Moderator** Thank you. Our next follow up question is from the line of Riken Gopani from Infina Finance. Please go ahead.
- Riken Gopani** Just wanted to understand on the ticket price now that we have increased the online booking also, how much of an impact does that have on ticket price? Is there a discount to the online versus what it is at the counter?
- Deepak Asher** No, the pricing is same regardless of whether you book online or buy it at the counter.
- Riken Gopani** No, because there are some promotions that at least the websites have in terms of the tickets so through associations with various organizations.
- Deepak Asher** Yes, but those aren't funded by us, they are funded by the service provider.
- Riken Gopani** Okay so we don't share any of the promotions related expenditures.
- Deepak Asher** No.
- Riken Gopani** So, online doesn't have any negative impact on the ATP.
- Deepak Asher** No, none at all.

- Riken Gopani** Okay second is in terms of say box office hit movie say 100 crore movie versus a smaller movie which is still maybe 50 – 60 crores revenue, how different will be our market share on the two? If your overall market share is 20% will it be lower in high box office collection movie?
- Deepak Asher** No, frankly speaking I don't think the difference would be like because whether it's a high box office collecting movie or a low box office collecting movie but there are different genres of movies and there are some which are typically known to be multiplex movies and some which are typically known to be single screen movies and therefore the share of multiplexes in those kind of movies would be different, again I don't think it will be different for INOX versus the rest of the multiplex sector.
- Riken Gopani** No, I was saying more importantly from the sector versus the single screens competitiveness, so what would that genre difference be where the market share is different?
- Deepak Asher** Well, typical kind of low budget action movies would probably do a better in single screens whereas as you know there are high production value movies which might probably do better in multiplexes.
- Riken Gopani** So basically in larger box office collection movie our market share should be better?
- Deepak Asher** It would be reasonable to assume that because again multiplexes have been driving box office collections for the industry as a whole and therefore if the film has actually done well it's probably because it has done well in multiplexes.
- Riken Gopani** And one last point as you mentioned about digitizing all our screens that we have done. What kind of fee that we get on the virtual print basis per screen and are we now covered across all our screens for that fee?

- Deepak Asher** First of all yes we all are screens are digitized and therefore we are covered for that fee across all our properties. What kind of fee do we get for digitization unfortunately is commercially sensitive information that I will not be able to share with you.
- Moderator** Thank you. We have the next question from the line of Apoorva Mehta from KSA Shares & Securities. Please go ahead.
- Apoorva Mehta** Just wanted to know the content pipeline going forward for next year?
- Deepak Asher** Sure, I will just ask Alok to handle that because he has the list of the content pipeline going forward.
- Apoorva Mehta** No, just wanted to know what your sense is about, comparing to FY14 was really muted in the last six months and even the first quarter also was not that interesting.
- Alok Tandon** Well, we are looking forward to movies like Holiday, Transformer, Kick, It's Entertainment, Singham 2 and these are just to name a few. If I recollect right we have in October movies called Happy New Year and Bang Bang, Bombay Velvet is coming out in November with Interstellar. PK is slated to be released in December so I would say that we have got a robust line of movies for this financial year.
- Apoorva Mehta** So, means you are satisfied what the pipeline?
- Deepak Asher** Well we are never satisfied we always want it to be better, but very broadly speaking we say about 8 to 10 titles being released every month and from what we know we expect at least two of them to be blockbusters but if your question is whether that satisfies you, no it doesn't, more is always better.
- Apoorva Mehta** On occupancy rate what can we see going forward on your occupancy rate because that can always drive our margins?

- Deepak Asher** Yes and to that extent as I mentioned it's content driven, people come to see movies in cinema theatres and therefore it is the quality of movies that will drive the occupancies, assuming that you expect content to be robust you would say marginal improvements in occupancy levels as well going forward.
- Apoorva Mehta** And even the average ticket pricing, can we see little bit uptick on that.
- Deepak Asher** Yes, I think so yes traditionally we have seen ticket pricing improved by about 4% to 5% on a blended basis for year-on-year and we expect that to happen going forward as well.
- Moderator** Thank you. We have the next follow up question from the line of Vipul Shah from Ripplewave Equity. Please go ahead.
- Vipul Shah** What is the expected tax rate which we can assume in the next year?
- Deepak Asher** Well, as I mentioned to you our current entertainment tax rate on a gross tickets basis is around 18% and we don't expect any significant changes on that going forward.
- Vipul Shah** No, what I wanted to know is about the direct tax, the income tax, provision for tax which we make so I think it was around 27% - 28% in FY14.
- Deepak Asher** Yes, I think it should be around 30% going forward as well.
- Vipul Shah** Around 20?
- Deepak Asher** 30%.
- Moderator** Thank you. Participants that was the last question. I now hand the floor back to Mr. Abneesh Roy for closing comments. Thank you and over to you sir.



INOX Leisure Limited
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- Abneesh Roy** Yes thanks to everyone for participating in this call today. A very special thanks to the management of INOX for allowing us this opportunity and have a good day ahead thank you.
- Deepak Asher** Thank you very much.
- Alok Tandon** Thank you.
- Moderator** Thank you sir. Ladies and gentlemen on behalf of Edelweiss Financial Services Limited that concludes this conference call. Thank you for joining us, you may now disconnect your lines.