

10th November, 2015

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

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

Scrip Code: 532706

Scrip Code: INOXLEISUR

Dear Sir / Madam,

Sub: Transcript of Conference Call with the Investors/Analysts

The Company had organized a conference call with the Investors/Analysts on 23rd October 2015. A certified true copy of Transcript of conference call held with the Investors / Analysts is enclosed herewith.

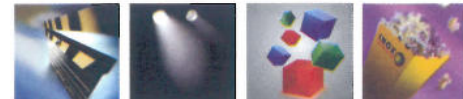
Kindly take the same on record.

Thanking you.

Yours faithfully,
For Inox Leisure Limited


Dhanraj Mulki
**Vice President – Legal
& Company Secretary**

Encl.: As above.





“INOX Leisure Limited Q2 FY-16 Earnings Conference Call”

October 23, 2015



MANAGEMENT: **MR. DEEPAK ASHER – DIRECTOR AND GROUP HEAD
(CORPORATE FINANCE), INOX LEISURE LIMITED**
MR. ALOK TANDON – CEO, INOX LEISURE LIMITED
**MR. KAILASH GUPTA – VICE PRESIDENT (FINANCE), INOX
LEISURE LIMITED**

MODERATOR: **MR. BHAVIN VITHLANI – AXIS CAPITAL LIMITED**

CERTIFIED TRUE COPY
For INOX LEISURE LIMITED


DHANRAJ MULKI
VICE PRESIDENT - LEGAL
& COMPANY SECRETARY

Moderator: Good day ladies and gentlemen and welcome to the Q2 FY16 Earnings Conference Call for INOX Leisure Limited hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during this 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. Bhavin Vithlani from Axis Capital. Thank you and over to you, Sir!

Bhavin Vithlani: Thank you, Malika. At the outset I would like to thank all of you for dialing into INOX Leisure’s Q2 FY16 earnings conference call. The management team will be represented by Mr. Deepak Asher - Director and Group Head of Corporate Finance, Inox Group of Companies, Mr. Alok Tandon - CEO of INOX Leisure and Mr. Kailash Gupta - Vice President, Finance. I now request Mr. Asher to take us through the results for the quarter post which we will open the floor for Q&A post the presentation. Mr. Asher, over to you please.

Deepak Asher: Thank you very much, Bhavin and a very warm welcome to all investors analyst and other participants on this call. I am pleased to inform you that Board of Directors of INOX Leisure Limited have concluded the Board Meeting about a couple of hours ago and have approved the quarterly financial results for September 2015. The results have been uploaded on the websites of both the NSE as well as the BSE as well as the company website and along with the results we have also uploaded the earnings presentation.

I would like to take you through some of the key financial highlights as well as some of the significant operating parameters which influenced our performance for the quarter as well as the half year ending September 2015. The comparisons that we are doing in this presentation are what we call Y-o-Y or year-on-year comparisons which means essentially we are comparing Q2 of FY15 with Q2 of FY16 and similarly on a half year basis we are comparing H1 of FY15 with H1 of FY16.

On total revenues, revenues have gone up from Rs.2.6 billion in Q2 of FY15 to Rs.3.5 billion in Q2 of FY16 registering a growth of 34%. EBITDA has gone up from Rs.365 million in Q2 of FY15 to Rs.564 million in Q2 of FY16, a growth of 54%. Consequently EBITDA margins have improved from 13.8% to 15.9%. PAT has gone up from Rs.52 million in Q2 of FY15 to Rs.205 million in Q2 of FY16, a growth of 292%. As a result, PAT margins have improved from 2% to 5.8%, this was the broad Y-on-Y comparisons for the quarter.

Our Y-o-Y comparison for the half year would indicate revenues which have gone up from Rs.4.9 billion to Rs.7.0 billion, a growth of 41%. EBITDA gone up from Rs.659 million to Rs.1.2 billion, a growth of 85% and in that sense in this half year we have already crossed the entire full year EBITDA of last year.

EBITDA margins have improved from 13.2% to 17.3% for the half year. PAT has improved from Rs.98 million in H1 of FY15 to Rs.457 million in H1 of FY16, a growth of 367%. PAT margins for the half year from 2% have gone up to 6.5%.

If you look at the break-up of our total revenues as all of you would probably know, there are four key components; gross box office collections, food and beverage income, advertising income and other operating revenues. On a quarterly basis, the box office revenues have gone up from Rs.1.7 billion to Rs.2.4 billion, a growth of 36%. Food and beverage has gone up from Rs.507 million to Rs.692 million a growth of 36%. Advertising has increased from Rs.178 million to Rs.214 million, a growth of 20% and other operating revenues has gone up from Rs.174 million to Rs.208 million, a growth of 20%. And the combined impact of all these four together is total revenues having gone up from Rs.2.6 billion to Rs.3.5 billion, a growth of 34%.

Corresponding figures for the half year our gross box office collections having gone up from Rs.3.3 billion to Rs.4.8 billion, a growth of 44%, food and beverage income having gone up from Rs.979 million to Rs.1.4 billion, a growth of 46%, advertising income to have gone up from Rs.327 million to Rs.421 million, a growth of 29% and other operating revenues who have gone up from Rs.310 million to Rs.356 million, a growth of 15%. Consequently total revenues have gone up in the half year FY15 from Rs.4.9 billion to Rs.7.04 billion in H1 of FY16, a growth of 41%.

This has been on the back of some very good performing content. The top five films in the second quarter of this year have been Bajrangi Bhaijaan that did a gross box office collection (GBOC) for INOX of Rs.532 million, footfalls of 2.8 million. Baahubali did a GBOC of Rs.396 million, footfalls of 2.5 million. Welcome Back did a GBOC of Rs.161 million, footfalls of 1 million. Drishyam did Rs.137 million of GBOC, footfalls of 0.8 million and Brothers did Rs.110 million of GBOC, footfalls of 0.6 million. The top five films aggregated to a GBOC of Rs.1.3 billion which is roughly about 55% of the GBOC for the quarter and footfalls of 7.7 million which is roughly about 53% of the footfalls of the quarter. Just in comparison in Q2 of FY15, the top five films accounted for a GBOC of Rs.856 million and footfalls of about 4.98 million.

Looking at the key operational metrics, footfalls have increased from 11.2 million which is what they were in Q2 of FY15 to 14.5 million in Q2 of FY16 a growth of 30% as a result of which occupancies improved from 26% to 32%. For the half year, footfalls went up by 38% from 21 million to 29 million occupancies improved from 26% to 33%. If you look at the footfalls and occupancies rates for comparable properties which is properties which are operational for the entire quarter for FY15 and FY16 - on a comparable property basis footfalls improved by 18% from 10.3 million to 12.1 million, occupancies improved from 26% to 33% and for the half year for comparable properties, footfalls improved by 21% from 20 million to 24.3 million, occupancy improved from 26% to 33%.

Average ticket price for the quarter improved by 4% from Rs.162 in Q2 of FY15 to Rs.169. For the half year, the ATP improvement again was a similar 4% from Rs.161 to Rs.167. ATP for

comparable properties improved by 4% for the quarter from Rs.162 to Rs.168 and by about 3% for the half year from Rs.160 to Rs.166.

The spend per head on food and beverage for the quarter improved by 5% from Rs.53 in Q2 of FY15 to Rs.56 in Q2 of FY16 and for the half year, the improvement was 6% from Rs.54 to Rs.57. F&B contribution improved marginally from 74% to 75% Q2 FY15 compared to Q2 FY16 and the figures for the half year also were similar 74% improving to 75%.

Advertising revenues on a per operating screen basis increased by 7% from 0.55 million for the quarter to 0.59 million for the quarter and for the half year the improvement was from 1.1 million to 1.2 million which is a growth of about 9%. Which would mean that in absolute terms, because this was on a per screen basis, but if you factor in the impact of number of screen also going up, in absolute terms advertising income increased from Rs.178 million for the quarter in last year to Rs.214 million which is a 20% growth and for the half year it improved from Rs.327 million to Rs.421 million, a 28% growth.

Other operating revenues per operating screen on a per screen basis improved by 6% from 0.54 million in Q2 of FY15 to 0.57 million in Q2 of FY16. On an absolute basis the growth was 20% from 174 million in Q2 of FY15 to 208 million in Q2 of FY16 and on a half yearly basis the absolute growth was about 15% from 310 million in H1 of FY15 to about 356 million in H1 of FY16.

On the cost side, we witnessed an increase in entertainment tax cost which went up from 17.8% in Q2 of FY15 to 19.5% in Q2 of FY16. For the half year the impact was 18% going up to 19.4% and this was on account of two or three different reasons, the entertainment tax rate in Delhi was increased from 20% to 40% and in Delhi we have about 13 screens. In Rajasthan the e-tax which was 0% was increased to 30% last year - we have about 20 screens in Rajasthan. And the number of exempt properties went down from 56 to 42 as the exemption period expired and this led to a half year blended entertainment tax impact of about 1.4%. This however was compensated by a reduction of film distributor share. Film distributor share for the quarter went down from 43.9% to 42.8% on NBOC whereas on GBOC it went down from 36% to 34.4%.

Other overheads on a per screen basis increased by roughly about 10% from 3.6 million in Q2 of FY15 to about 4 million in Q2 of FY16 and a similar increase of about 10% was witnessed for the half year figures 7.1 million per operating screen in H1 of FY15 to 7.8 million per operating screen in H1 of FY16.

On the balance sheet side, the balance sheet continues to remain extremely strong. Total shareholder funds are at about Rs.7.2 billion, total debt is at about Rs.2.3 billion and if you look at the net debt because we also own treasury stock, the net debt is about Rs.1.2 billion and hence our debt to equity which optically on the balance sheet appears to be around 0.3 which also is, by the way, extremely attractive, but net of treasury stock the debt equity is around 0.16. Promoter stake in the company continues to remain at about 48.7% so, the leverage possibility

that we have because of our low debt to equity ratio the treasury stock that we have as well as the high promoter stake that we own provide the fuel that might be necessary to fund any future growth as well as acquisition opportunities.

During the quarter we have added four properties, 16 screens and about 3,300 seats. These include properties of Rajkot, at Gandhinagar, another one at Gandhinagar and at Bhiwadi which is on management contract basis. As a result of these openings, we achieved a milestone during the quarter and crossed 100 properties in fact we are currently operational in 17 states, 55 cities, 101 properties, 393 screens and about 102,785 seats. These makes us one of the largest multiplex chain in the country and also amongst the largest pan-city presence.

As far as outlook going forward is concerned as you appreciate, the outlook is a function of two things the property pipeline and the content pipeline. As far as the property pipeline is concerned we expect to open during this financial year itself another 42 screens and about 8,600 seats which will take our total screen count by the end of this financial year to be about 435 and seats count be will be about 111,400 seats. We have in addition to that a further property pipeline already tied up in terms of signed agreements of about 185 screens and about 39,200 seats and which, once we implement this total pipeline that we have, would lead us to be 620 screen and 150,000 seats strong.

The content pipeline going forward also appears to be extremely strong. During the month of October, we have already seen releases of films like Jazbaa, Pyaar Ka Punchnama 2 and Shaandaar. We expect The Last Witch Hunter also to be performing quite well. In addition in November we have some blockbusters like Prem Ratan Dhan Payo, Spectre and Tamasha which is a Ranbir Kapoor, Deepika Padukone movie. In the month of December we expect Wazir - Amitabh Bachchan star, Bajirao Mastani and Dilwale to be released and during the month of January the large releases as far as we can see right now are Ghayal Once Again - Sunny Deol, and Airlift starring Akshay Kumar. So the content pipeline seems to be pretty strong and hopefully the films should do quite well.

So that, ladies and gentlemen, is a brief snapshot of our performance both operational as well as financial and some insights on how we expect the future to be. I would be happy to hand this over back to you for any questions that you might have.

Moderator:

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

Abneesh Roy:

My first question is you have saved on the distributor share both in first quarter and second quarter so, if you could take you through how you are able to save on this? I understand it is because of maybe bigger hits. But if you could take us through, is there any systemic change also which is helping us in this?

Deepak Asher:

Well there are two things that happened, first of all, what we share with distributors is net box office collections, so when our entertainment tax goes up, NBOC goes down and therefore what

you payout to distributor goes down so that is one. And two, again it is content driven as you might know what we pay to distributors is certain percentage of NBOC in first week and a lower percentage in the second week and a still lower percentage in the third week and therefore, if films have longer runs which is what we witness in the last one or two quarters you actually see the percentage share going down because of the impact of the third week percentage being much lower than the first week percentage.

Abneesh Roy: And sir, if I analyze the numbers first-half versus second quarter in net box office I see a constant 170 bps difference between this year and last year. But in gross box office I see a difference of 110 bps versus 150 bps in first-half versus 110. So in gross box office why is the number not constant, what is happening there?

Deepak Asher: That will be the impact of entertainment tax rates.

Abneesh Roy: Okay. Sir, coming to that, that is the second question that is an issue now, we have seen Delhi and Rajasthan you are facing this issue so one is why is not the industry passing it on in such a robust box office scenario? Why you are not passing on as an industry? Second is, do the other states also now take you and start increasing we have seen this in other consumption segment one state starts and all other states kind of copy that in the next one year to two year. So is that a big threat and if your current properties also coming out in the next two years they are coming out. So where do you see this number settling and so should the box office distributor share keep coming down because of your tax rates going up e-tax going up?

Deepak Asher: Well first of all again there were like three or four questions mixed up in what you just said. So first of all why do we not pass it on to the consumer? Well, I think the underlying assumption would be that we would charge to the consumers what we think the consumer can bear obviously, we do not want to increase ticket prices to an extent that it starts adversely impacting your occupancies. Our objective as I have always mentioned is not to maximize ticket price or occupancy, but to maximize the product of footfalls into ticket prices. So obviously that is a dynamic exercise that we would keep on doing. At times it takes time for the pass through to happen when tax rates are increased, they happened over night, but the pass through sometimes takes time to build-up, so that is one part of it. The second question that you had was as to whether we expect this to have a domino effect on States. Well hopefully not. I think most other States are in a tax regime which is about 30%. You would not expect this to go up in the other States. In fact there are some States which are considering lowering of entertainment tax rates and if you look at the long-term trend the data has indicated that lowering tax rates would actually lead to higher collections and that is what we are trying to as an industry persuade State Government to follow. The third part of your question was what do we see to be the long-term impact of this? Frankly speaking, the long-term impact of entertainment tax is going to be dwarfed by the implementation of GST. And once GST comes in there will be one standard uniform tax rates across the country. Obviously, nobody yet knows what the RNR or the revenue-neutral rate of GST would be. But what impact to have on us is apart from assuming that the revenue-neutral rate is around 21%-22%. We would probably be then indifferent to any

potential increases in e-tax rates or exemptions getting withdrawn. But on the other hand there is about 1.5% to 2% of tax cost that we bear which is essentially service tax on property rentals and service tax on some of our contracts like housekeeping contracts or security contracts which currently are not being set-off against the entertainment tax which we collect because these are two different tax regimes. But in a GST regime it will become a seamless pass through in which case our cost on the input side would go down.

Abneesh Roy:

Sir, my follow-up on one or two things which you mentioned. Sir, one is you are saying you do not expect domino effect. But if I see other consumption segments we do see domino effect because in GST you might get compensated based on tax rates which are prevailing then, so what is your view on that? And second is sir, what is specifically happening on in Delhi on the sharp doubling tax because initially thing was happening that some players increase and then I think the Chief Minister said that he will study the data so what is happening there? Because you said, gradually it might increase so, is it? Are you going to pass on in Delhi the full impact?

Deepak Asher:

Well I said our effort will always be to price tickets based on what the market can take regardless of whether the tax rate would be 20% or 30% or 40%. If we have a blockbuster then yes, ticket prices would reflect the expectation of higher footfalls but on the other hand if content does not do very well obviously pricing will need to impact that. So I frankly would like to de-link the question of passing on of e-tax rates or any other cost structure to ticket prices. On the other hand, you also talked about the domino impact. Yes, we do believe that there should not be a domino impact just because one state did what they did. Our experience has been I think over the last four years or five years we have been able to persuade several states to actually reduce tax rates case in point has been Maharashtra, case in point has been Gujarat where tax rates have gone down from 100% on net ticket price down to 50% and then to 25% and every time this has happened actually collections have improved because of better compliance and also increasing the size of the market and more investments coming in. And hence we do not believe that there would be a significant domino impact because of tax rate increases.

Abneesh Roy:

Sir, my last small question on ad revenue per screen 7% growth same stores. So if you could give us a break-up of whether it was completely volume led? Second is when I see numbers for other media company specially that key broadcaster. In their case if you see same store channel growth is still in healthy 20's. So have you analyzed what is missing here in terms of your comparison with maybe other multiplex or with other media also? What are you missing out which is much more higher there and in your case only 7%?

Deepak Asher:

Well to some extent it is structural, to some extent as I said it is also an impact of the fact that if somebody has large number of screens in Delhi whereas you know there is no other outdoor advertising medium permitted by regulation and therefore, the cinema screen advertising would be a larger portion of the advertising spend of advertisers in that region. So to some extent it is structural but having said that we also recognize that there is room for significant improvement and growth as far as our ad revenues are concerned we are currently at about Rs.24 lakh to Rs.25 lakh per screen per annum and we believe that we have headroom to grow this by another 15%

to 20% on a per screen basis. So we are working at that. And obviously, these kinds of things take time to fructify. We have been working on this for the last one year and you would appreciate that there has been a significant improvement for the last couple of years on this parameter and we expect that trajectory to be maintained going forward.

- Abneesh Roy:** The volume price, what is the split?
- Deepak Asher:** I do not think we will be able to share that information with you. I think it is a mix both of volume as well as price but I do not think we would want to at this stage go into trying to quantify how much of this was led by volume and how much led by price.
- Moderator:** Thank you. Next question is from the line of Ruchi Vora from CLSA. Please go ahead.
- Ruchi Vora:** Just wanted to broadly understand in terms of content performance Q2 versus Q1. Can you give us a qualitative color on how content was done and let us say across the months and especially what happened on the Hollywood and the Regional content. I would like to have some flavor on that.
- Deepak Asher:** Well I think broadly speaking in Q1 all the three months were exceedingly good. April, May and June performed quite well. In Q2, we had July and August performing quite well September was in the context of what happened in the preceding five months not as good as the earlier five months. But on the whole as I have mentioned occupancies have been much healthier than what we saw in the corresponding year of last year.
- Ruchi Vora:** Correct. And can you also give some flavor on how Hollywood and Regional content is done in this quarter? Of course it has not done well except Baahubali but can you give us some flavor on that?
- Deepak Asher:** Well I think if you look at the broad percentage on GBOC terms in Q2 of FY16 we did about 66%-67% Hindi, about 12% English and about 21% Regional. Corresponding figures for the last quarter which is Q2 of FY15 were 69% Hindi, 13% English and about 18% Regional. So clearly we saw more regional movies like Baahubali and another Telugu movie called Srimanthudu which did very well in this quarter.
- Ruchi Vora:** Right. And if I were to just elaborate on the discussion that you had with the previous participant on the entertainment tax. Just wanted to get some thoughts let us say if the entertainment tax in a scenario does go up in a few states. Would we completely pass it on in terms of ticket prices? I do understand it also depends on content performance but will we completely pass it on in terms of ticket prices?
- Deepak Asher:** Well as I have mentioned to Abneesh earlier as well, what we would price a ticket at, is a function of content and the market and therefore if the content and the market can take a price increase we would do that. If it cannot then obviously we will need to absorb that cost. So it is difficult

to answer in the context of what happens on increase in entertainment tax. Ideally if we could have priced more we would have already done it regardless if e-tax went up or down.

Ruchi Vora:

Correct. And can you also throw some color on what are we doing on the F&B side to improve the strike rate and the increase in the F&B revenues per head?

Deepak Asher:

Yes, see again to a large extent it is two things one is enrich the menu offering and I will just hand it over to Alok in a moment to take you through what we are doing as far as that is concerned and secondly reduction in transaction time because we do appreciate that if you can reduce your transaction time on F&B to half of what it is currently, you could actually potentially increase your F&B revenues on a per patron basis twice of what it is theoretically and what we are doing is separate innovative methods including what we call queue busters and Service on Seat is where you can actually order on an app on your smartphone sitting in your seat in the auditorium which we are implementing gradually across more and more properties and these factors together would help in improving transaction time and hence enhancing spend per head on F&B. Alok, would you like to explain this broadly maybe...

Alok Tandon:

Yes. Well let me start with what Mr. Asher said, Q2 of FY15 if I compare with Q2 of FY16 our spend per head has gone up from Rs.53 to Rs.56 and we have seen also a 6% growth in H1 of FY15 compared to H1 of FY16. What we have done over a period of time is that we have re-engineered our entire menu. We have got a new menu which has been rolled out. We have got a Special Chef on board who is making designer recipes if I can use the word designer where food is concerned. And also we are reducing the transaction time. Today if I reduce my transaction time I will have more people coming and buying food and we will be selling more. For that what we have introduced queue busters where people are moving around the lobby of the cinema with iPads or with any other tab taking the order and giving a receipt over the Wi-Fi Printer which is attached to their belts and a patron can go to the counter and collect their food or it is served on the seat during the interval or before the movie starts, that is one. Number two, we have also got a new INOX App and once you open it on your seat you can order the food and your credit card can be saved on it, the money is debited and we come to know on which seat and which screen you are sitting in and we come and serve the food over there. These are the two main things which we have done where food is concerned apart from having a brand new menu.

Ruchi Vora:

Right. So in the context of that is it possible for us to touch a double-digit growth in F&B spend per head at some point or are we looking similar kind of run rate 5% in the next few quarters?

Deepak Asher:

It is going to be difficult for us to predict an exact quantitative projection on what this could potentially be except to say our effort is going to be to try and maximize this clearly we have a 75% margin on F&B versus a 30% margin on ticket sales because a large part of the ticket price goes to tax authority and distributors. I think the potential is immense if you look at comparable F&B spends versus ticket price ratios in more developed economies it is more like one to one whereas it is still 75-25 here in India. In fact theoretically we are going to target and it should be higher in India because we have this unique concept called intermissions which we do not have

in Hollywood movies and hence you would actually expect people to spend more. So we believe there is again significant potential for growth. I am not going to get into whether it should be 10% or not but the future is bright.

Ruchi Vora:

Okay. And on the average ticket prices just wanted some color, given that we are obviously having a significant Pan India expansion and I am assuming a lot of our incremental expansion will be in Tier -II Tier-III markets. Is it reasonable to assume a similar kind of an increase in average ticket prices or will the ticket prices broadly remain constant over the next few years. I just wanted some qualitative color if that is possible.

Deepak Asher:

Well I think we have grown in the Tier -II Tier-III towns already historically as well and despite being able to maintain on average an annual ATP increase of about anywhere between 3% to 5% and of course this is to some extent content driven but the long-term average has been around 4% of improvement in ticket prices which also factoring the fact that many of our screen expansion have been into Tier -II towns and Tier-III towns already. As I mentioned we are present in 55 cities and clearly large part of those 55 cities are including Tier -II towns and Tier-III towns. So that is one and I think it will be reasonable to assume around a 4% ATP increase despite the fact that there will be prosperities in Tier -II Tier-III. On the other hand, I would also like to add that to some extent that question may not even be very relevant because while you expand in Tier -II towns and Tier-III towns where arguably ticket prices would not be what they would in Tier -I towns but at the same time you also build to the market. So the amount of money that you spend on a multiplex on the interiors and the ambience and the elegance to wish you build it too is also a function of what your expectation of the market and therefore the ticket price of that market is and therefore, from a return on capital employed perspective Tier-II or Tier-III may not be very different from what the Tier-I would be.

Ruchi Vora:

Great. And last question on the tax rate. Our first-half tax rate has been 35%-36% so what is the reason for that and what should we expect for the full year?

Deepak Asher:

I think we are now in a full tax regime and it would be reasonable to assume about between 33% to 35% income tax rate.

Moderator:

Thank you. The next question is from the line of Atul Mehra from Motilal Oswal.

Atul Mehra:

Just one question on a more sequential if we look at it, other expense line item is significantly higher from about Rs.66 crores to Rs.77 crores. So any particular reason for this why there has been such substantial increase on a Q-on-Q basis?

Deepak Asher:

Well I think it is a function of two or three things that happened together. One, obviously it is a function of about four new properties opening during this quarter and therefore there would be expense pertaining to the incremental property that would have led to increase in other expenses. Secondly, there was service tax rate increase which happened in this quarter from I think 12.36% to 14% and that led to a higher service tax cost to the tune of about Rs 2 crores. And there have been some one-off items - for example we changed the Satyam signage which cost us about Rs.1

crore across 8 different properties that Satyam operates in, power and fuel cost went up by about Rs 1.5 crores. There was one-off write-off that we took on one property which was about Rs 2 crores so again there are myriad of five or six different reasons that led to that increase.

Atul Mehra: Right. So about 60% odd should be something which you could recur and 40 could be something which is more one-time in nature for the quarter.

Deepak Asher: Potentially yes.

Atul Mehra: Right. And secondly, so far in terms of first-half has been very good for us but as we head into Q3 so now we are entering into a base and potentially even next year that we would get into we would enter in to a base where like-to-like footfalls for us have been good and occupancies have been pretty good. So we have come up from say 26% to 33% in terms of occupancies. So within that context so, do you see room for occupancies next year to go even beyond say 33% or would you expect them to largely sustain at these levels of 33%-34%?

Deepak Asher: Well I wish I knew, I mean it is all content driven and we do not have the content pipeline for next year. Hopefully producers will keep on making good movies and hopefully patrons want to keep on seeing good movies and hence this (+30%) kind of occupancy rates would be sustainable. What we can see right now is the content pipeline for the next three months or four months which looked extremely attractive. We see almost one blockbuster being released every week as far as we can say from the title and the star cast of that film and at least for the next three months to four months' time we should see occupancy numbers very good. Beyond that we do not have a content pipeline and therefore it is difficult for us to say.

Atul Mehra: Yes. But even in the historical context in the sense that even where content has been good in the past so where occupancies for the year have been for maximum?

Deepak Asher: But content has not been good last year, FY15 was probably pretty bad in terms of content and therefore footfalls fell, again variety of reasons that we dwelled upon during the Earnings Call of last year. But also you know as multiplex screens are being built, more revenues are ploughed back to distributors and producers and therefore, you actually see the quality of content also improving overtime. If you look at the number of films for example that did 100 crore box office collections. I remember till 2007 or 2008 there were no such films. The first 100 crore club was inaugurated in 2008 and currently you see at least about 8 to 10 films crossing a 100 crore of GBOC and some handful of films also crossing 250 crores of GBOC. So clearly box office performance is being driven by investments that we are making in multiplex screens and as this trend continues one would expect to see better films or films doing much better on screen revenues.

Atul Mehra: Right. But peak occupancies in the past would have been around say 34%-35%?

Deepak Asher: Well when we opened the first multiplex and that was the only multiplex in town we would probably have seen 40% or 45%. I think on a sustainable basis between, yes, 30% and 35% would be a right number to look at.

Moderator: Thank you. Next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.

Dheeresh Pathak: Sir, I am not sure if you have answered on the advertisement revenue per screen. We did see some increase meaningful increase in FY14 and FY15. But this year the increase has not been compared to the differential that we have with our competition we just have higher expectations of faster catching up with them. I do not know if you have already taken this question, I joined in late.

Deepak Asher: Yes, actually I responded to I think Abneesh from Edelweiss who asked about that. But just for your benefit I could say that we have grown in this quarter by about 7% from Rs.0.55 million per screen to Rs.0.59 million per screen on a per screen basis and on an absolute basis by 20% from Rs.178 million in Q2 of FY15 to Rs.214 million in Q2 of FY16 which is a 20% growth. Based on where we are currently we are on a per screen per annum basis at about Rs.24 lakh and we do believe that we can potentially take this up by about 15% to 20%. We are working to achieve that and we do believe that this is going to be feasible in the foreseeable future.

Moderator: The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Nihar Shah: Just a couple of questions from my side if I had to take a look at the numbers for Satyam Cinemas basically just taking a consol minus standalone it seems that on a Q-on-Q basis the performance has not been good especially compared to the Q1 of previous quarter, the EBITDA is down from about 19% to 12%. Can you just give us some sort of qualitative where you were seeing Satyam Cinemas performance and what is the longer-term outlook for Satyam Cinemas that is my first question?

Deepak Asher: Okay. First of all if you are comparing Q2 with Q1 then I think it is not just of Satyam but perhaps of across the industry Q2 has not been as good as Q1 though it has been fairly good compared to Q2 of last year. If I remember the numbers correctly Satyam EBITDA for the first quarter was about Rs 7 crores in absolute terms and about Rs 5 crores in the second quarter. So in that sense it is about Rs 12 crores for the half year, Rs 24 crores on annualized basis. I do not think it is a bad EBITDA for the kind of acquisition price that we paid for that.

Nihar Shah: Sure. But what are you looking at it from a longer-term perspective? Where do you think that these numbers will grow to?

Deepak Asher: In fact I was just about to mention that. To some extent the benefits of consolidation and the benefits of operating Satyam as well may not necessarily translate in the P&L or balance sheet of Satyam because if you do a negotiation from your supply chain or with your distributors on the basis of 350 screens or 400 screens the benefit of that will also occur in INOXs profit and

loss account versus Satyam and perhaps more in INOX's because of the fact that there are more screens in INOX's profit and loss account. So in that sense a little bit of myopic if I may say so to get Satyam P&L on a standalone basis. I think what counts eventually is to look at it on a consol basis and therefore the benefits of consolidation or consolidated P&L.

Nihar Shah: Sure, fair enough. My second question was just a follow-up to one of the answers that you gave earlier. You had mentioned about the occupancy rate for the first screen being in a city or something even being theoretically at 40%. Just wanted to understand are there cities especially the major metros where you are now seeing that incremental screen additions that are happening are in say some way cannibalizing the existing screens or are we still sort of far away from an all India perspective and maybe in some micro markets. If you can just throw some color on what is the level of cannibalization that you are seeing?

Deepak Asher: I think we are very far away from stage that we would cannibalize each other because if you just look at the very broad macro statistic on an all India basis we have as you know about nine screens per million population of which multiplex screens are about two. So we have two screens per million populations. You know China has more than 25 screens per million population, Europe has 35 screens, UK has 60 screens, and the U.S. has 120 screens per million population. So I think we have significant headroom for growth. This two screens could potentially grow and what is happening over time is also single screens are closing down. We have the potential not just of the number of screens going up but also multiplexes cannibalizing single screen cinema theaters. So I believe we are still far distance away from multiplex screen cannibalizing each other except for one or two catchments which might be more of an exception than the rule.

Nihar Shah: Okay. So would the catchment mean large cities in the entirety or do you think within specific areas?

Deepak Asher: Specific pockets.

Nihar Shah: Within specific pockets, okay.

Deepak Asher: I mean if there are four multiplexes across the street then you would probably not want to open the fifth one there.

Nihar Shah: Okay. So you still think there is room for markets like Bombay and Delhi to have more screens coming in?

Deepak Asher: I do believe generally speaking as I said I think we can go up to significant in terms of two multiplex screen per million population has significant potential for growth.

Moderator: Thank you. Next question is from the Danish Mistry from TATA Mutual Fund. Please go ahead.

Danish Mistry: I had a question on your screens. So till now you have about 393 screens on hand and you are looking to add another 42 I think to about 435. I am just referring to your presentation. So I

wanted to understand, is it all bunched up or so can there be any delays or follow-ups in this 435 number?

Deepak Asher: Well we expect to open these 42 screens over the next six months. Internally we know that a significant part of this pipeline is going to be implemented over the next two or three months' time. So even though a couple of them get delayed by a month or two we do not see any reason as to why we should not be able to achieve this screen opening target by March.

Danish Mistry: Okay. So by March we expect the 435 to come through easily?

Deepak Asher: That is correct.

Moderator: Thank you. The next question is from the line of Sanjeev Hota from Sharekhan Limited. Please go ahead.

Sanjeev Hota: Just one question from the industry perspective going towards the December 18th two big movies are releasing – Dilwale and Bajirao Mastani. So what is the strategy that multiplex are taking on these two movies because both these movie is going to be big movies?

Alok Tandon: Well there is no strategy to it. We have seen that all these big weekends like 2nd October, 15th August or 26th January, we have had two or three big releases on that particular date and that is the beauty of a multiplex. We have got more than one or two screen and we can accommodate all the blockbusters which are being released on that particular day.

Sanjeev Hota: So there is not much like difference in the number of screen to be given to any particular movie?

Alok Tandon: No, not at all.

Moderator: Thank you. Next question is from the line of Vikram from Maybank. Please go ahead.

Vikram Ramalingam: I wanted to ask regarding the footfalls. So the numbers of screens have significantly increased in this quarter but somehow it does not show in the footfalls. And secondly, we have had really good blockbusters like Bajrangi Bhaijaan and Baahubali and in spite of the fact that the ATP has increased we do not see commemorating increase in GBOC, any particular reason or just that September month of Q2 was really bad?

Deepak Asher: I think Yes, September was a little bit of dampner as far as overall performance is concerned. But having said that footfalls have not fallen, I mean they are gross...

Vikram Ramalingam: No, they have remained the same actually.

Deepak Asher: That is right, 14.5 million in Q1 versus 14.5 million in Q2. There has been on a Q-on-Q comparison about 2.5% improvement in ticket prices which is what you see the box office collections to have gone up by.

Vikram Ramalingam: Okay. So basically September being a bad month?

Deepak Asher: Yes.

Moderator: Thank you. The next question is from the line of Urvil Bhatt from IIFL. Please go ahead.

Urvil Bhatt: I just wanted to understand how the October month has fared so far and how will you relate it to the previous six months and more closely to September? And also I mean with the strong movie pipeline expected in November and December and with the onset of festive season, can we expect a steep jump in advertisement revenue? And I just wanted to understand how does the advertising rates compare I mean in festive season and in blockbuster movies I mean how much increase are you expecting in the something next two months? Thank you.

Deepak Asher: First of all, again, several questions jumbled up into one. First of all, as far as October is concerned we do not have the data in front of us but generally speaking the flavor has been that October has been better than September but that is also because September was not anything to write home about. So the performance has been much better in October then what it was in September and I think some of the large blockbusters are really now happening in the sense that we expect some very large releases during the month of November and December. And I just mentioned that looking at the star cast and the quality of the house behind those films we would expect to see at least one blockbuster every week during November and December. On advertising, yes, we have this what we call this dynamic pricing policy on advertising where we could actually advertise based on the content that is being shown because clearly on a pay per patron basis it is more efficient for advertiser also to be able to pay more for that kind of content because the corresponding impact on footfalls is much larger. So yes, we would expect to see improvement in advertising revenues also as content quality improves.

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

Amit Kumar: Just to begin with I mean as far as Satyam Cineplex is concerned will it continue to remain a subsidiary or is there a plan to merge it with a parent company?

Deepak Asher: No, the intent is to merge it. We already have the amalgamation scheme formulated it is currently in the last leg of approvals as far as the courts are concerned and we expect though it is difficult to predict timelines before a court of law but we expect that in the next couple of months for that process to be completed and hence Satyam will then be fully merged with INOX.

Amit Kumar: Okay. Sir, my second question was with respect to the screen pipeline that you have I am just looking at the Q1 FY16 presentation and comparing it to this time around. There seem to be a few properties which has gone out two properties in Bangalore, one in Chennai and instead a very larger property in Bombay nine screen with 1,700 seats has been added. If you could just talk about what is happening here?

Deepak Asher:

Yes, frankly there is some mortality in property pipeline. Some properties fall off and some properties keep on getting added. But as you would see our total screen count at the end of FY16 based on our Q1 presentation if I remember right was about 429 and what it currently stands at is about 435. So while a couple of properties would have fallen off some would have been added as well. So this total screen count by March 2016 as we currently see is not less than in fact slightly more than what we expected during the first quarter. What I also did mention was that while we are talking of 42 screens to open from now till March our internal targets actually are much tighter than that and we expect a large part of these screen in fact as much as 80% of these number of screens to open in the next three months itself. So there is some lag available there as well in order to account for any unforeseen delays.

Amit Kumar:

Okay. And sir, just small follow-up on this so, this Bangalore and Chennai properties when you say fallen off does that mean delay or not coming in at all?

Deepak Asher:

They are gone onto next financial year.

Amit Kumar:

Okay. Yes, just a small piece on the advertising side, see when I look at the top five films for this year seemingly Baahubali has done almost as well as Bajrangi Bhaijaan. But in terms of advertising, the advertising monetization on a Regional film versus a Hindi film, is there a mark difference in how they get monetized as far as advertising is concerned?

Alok Tandon:

Regional movies are usually released in a limited number of screen whereas, if it is a Hindi movie it is released in across all our 101 properties. Advertisers usually like to have broader reach, so yes, there is a difference between the way we monetize a Regional movie as compared to a Hindi movie

Amit Kumar:

But I will presume that Baahubali I mean at least in terms of reach it would not be very different because when we look at the GBOC numbers specific to INOX there is a just a 20% difference and you know it did quite well I mean it was a 100 crore film from Hindi perspective also. So would have been distributed fairly wide. But adjusting for the screen or adjusting for the reach of the film, is there still a difference in terms of monetization?

Alok Tandon:

Well you see Baahubali picked-up over a period of time. It took at least four to five days for people to come in. It did very well after the initial few days of its release. We had great footfalls for the movie and Baahubali could be one exception where you are talking about monetizing advertising rates. I am just talking about an overall flavor, the way the entire cinema industry works. Yes there are more people who are willing to pay more for a Hindi movie rather than a specific Regional movie.

Moderator:

Thank you. Next question is from the line of Ruchi Vora from CLSA. Please go ahead.

Ruchi Vora:

I just had a quick question on your October content performance so how has the movie done which has played out till 22nd of October can you give us some color?

- Deepak Asher:** Well I will just answer that in terms of color not in terms of data because data is not in front of us.
- Ruchi Vora:** Of course, Yes.
- Deepak Asher:** But yes, October is doing better than what September was.
- Ruchi Vora:** Okay. And compared to July-August, is it as good as an opening as Q3?
- Deepak Asher:** No, not as good as July and August but better than September.
- Ruchi Vora:** Okay. That is very helpful and I am sorry for the repetition but could you run us through again the items in the other expense which were higher on a sequential basis? I am sorry I missed some of those numbers.
- Deepak Asher:** Okay. I could share those with you offline if you wish. Generally speaking as I said first of all there was service tax rate increase from 12.36% to 14% which impacted the other cost by about Rs 2 crores, there was a power and fuel rate increase across different properties which was worth about Rs 1.5 crores, about Rs 1 crore was the additional cost for changing of signage's and the branding of Satyam to INOX, there was about Rs 1 crore wage increase in some properties and there was a one-off write-off of about Rs. 2 crores to Rs 2.5 crores on one property so, that was broadly is the complexion.
- Ruchi Vora:** And I am assuming most of the cost which are repetitive will eventually get passed on, right see one-off?
- Deepak Asher:** In a sense yes, because you do expect an average...
- Ruchi Vora:** The price inflation, Yes.
- Deepak Asher:** A 4% inflationary price increase and yes, by the way there was part of the cost increase also was because of the fact that we opened four new properties during the quarter.
- Ruchi Vora:** But I think probably every quarter so, I am assuming...
- Deepak Asher:** I am sorry to interject but if you compare other cost of Q2 with Q1 then in Q2 you had more screens and in Q1 you had fewer screens than what you had in Q2. So obviously, some increase in cost will be because of the population of screens going up if you are comparing cost on an absolute basis.
- Ruchi Vora:** Yes. So if I were to look at directionally the movement and other expenses over the next few quarters there would be some easing of in terms of common size but so is that a correct assessment the other expense would you would obviously pass it on over a period of time?

- Deepak Asher:** Yes, that is correct, Yes.
- Moderator:** The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.
- Nihar Shah:** Just one question, you have given in the presentation the screen grown post FY16. Just wanted to get a little bit of understanding as to for those 185 screens what is the timeline and what we can sort of model in post FY16 as sort of an average ongoing screen addition?
- Deepak Asher:** No, frankly we have not put a time line on this consciously because some of these are going to be going beyond two years to three years as well so that is something that we are not sharing internal specific timelines. But right indicator is that prosperities which are already been tied up agreements that are being signed properties have been identified in many of these construction work is going on and therefore there is a clear visibility as far as this is concerned.
- Moderator:** Thank you. Next question is from the line of Sumit Sarda from CED Capital. Please go ahead.
- Sumit Sarda:** My question is in relation to the multiplex theatre taken on management contract basis at Bhiwadi. I want to know whether this is something which we can see happening in future for more number of screens and if yes then what is the economics in terms of our investment, our role, our revenue share etc.
- Deepak Asher:** First of all let me clarify that this is not the first property we have taken on management contract. We already have a few which we are doing on a management contract basis. If I remember right near about six properties that we already run on a management contract basis. On the economics generally we do not invest in those properties and therefore there is no capital employed. The top-line and the cost line is also not attached to our profit and loss account, what we do get is a management fee which goes in our operating revenues which again often is a function of the EBITDA on that property. So Jorhat is also a management property which we are about to open this quarter.
- Sumit Sarda:** Just a follow-up on that, what determines how we take screens on management contract versus doing our own organic expansion?
- Deepak Asher:** Well again it is function of what property is available and what the owner of that property wants to do. I mean if he is happy to give it on a lease then we would do that. But for some reason if he wants to only carve out the management rights and retain the ownership of the leasehold rights of that property then that is how it will go.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Bhavin Vithlani for his closing comments.
- Bhavin Vithlani:** I would like to thank all of you for joining us today and I would like to thank the management of INOX Leisure for giving us the opportunity. Over to you Mr. Asher, for closing remarks.

INOX Leisure Limited
October 23, 2015

Deepak Asher:

Right, Bhavin. Once again from myself as well as the entire board and the management of INOX Leisure Limited I would like to thank all of you investors, analyst, participants for your interest and the time that you devoted to us and we look forward to your continued interest in our performance. Thank you very much.

Moderator:

Thank you very much members of the management. Ladies and gentlemen, on behalf of Axis Capital, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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