



# “INOX Leisure Limited Q1 FY2022 Earnings Conference Call”

August 03, 2021



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings Conference Call of INOX Leisure Limited hosted by ICICI Securities 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. Sanjesh Jain from ICICI Securities Limited. Thank you and over to you Sir!

**Sanjesh Jain:** Thank you, Rutuja. Good afternoon everyone. Thank you for joining us on INOX Leisure Limited Q1 FY2022 results conference call. Today, we have with us, Mr. Alok Tandon - Chief Executive Officer and Mr. Kailash Gupta – Chief Financial Officer, INOX Leisure Limited. I would like to invite Mr. Alok Tandon to initiate the proceeding with his opening remarks post which we will have a session on Q&A. Thank you. Over to you, Alok, Sir!

**Alok Tandon:** Thank you, Sanjesh. A very good evening to all of you. I am Alok Tandon and with me is my colleague, Mr. Kailash Gupta who is the CFO of the company. On behalf of the management of INOX Leisure Limited, I welcome you all on this call. Our board has approved the quarterly result for Q1 FY2022 and the same has been uploaded on the website or the stock exchanges and also on the company's website. The quarter not only continued to test us, but also our resilience and our ability to face headwinds.

We have stood tall to all the atrocities that we are place in the past six quarters and so we look at Q2 FY2022 as the point from where the turnaround should begin. We continue to remain inspired by our robust fundamentals, strong liquidity position, the infinite passion and above all a great team would have shown tremendous fighting spirit and innovativeness in helping the company not only to sail through these difficult times, but also emerged stronger, sharper and figure. All I can say is that the team roaring and rearing to go would the same level of zeal that it possessed six quarters back when the ship was sailing fast and steady.

We know that there is a lot to look forward to in terms of resuming cinema operations across the country ensuring a safe and hygienic cinema experience, laying out the fascinating content that is in store, curretting innovative delights for our guests and rolling out of all new F&B roadmap for the company. What gives us a lot of hope is the fact that our consumers and our team are much more comfortable and familiar with the new normal or is as evident with the performance of cinemas in global markets where operations have begun. With a lot of positivity, optimism and excitement, we are setting ourselves up for hopefully the last leg on this cumulative COVID journey and look forward to a brighter and happier future for our customers, our stakeholders and our biggest assets our people.

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Let me take you through the presentation. The key highlights are as follows: INOX has successfully raised ₹300 Crores through a QIP in June 2021, even during these tough times INOX consistently had a strong liquidity position and we are the only national chain that is net debt free. During the second wave, we took the initiative to ensure that all our employees are vaccinated against COVID-19. I feel proud to say that today 100% of our employees are vaccinated from this deadly virus.

Let us now look at some of financial highlights of Q1 FY2022. As you all know, due to the second wave of COVID-19, cinemas were advised closed down by the respective State Governments in a staggered manner starting from mid of April 2021 this year and also we had shut down from late March 2020 last year, as a result our financial and operating performances was severely impacted. For Q1 FY2022, the revenue was ₹26 Crores as compared to ₹3 Crores Q1 FY2021. Q1 FY2021 figures are skewed as cinemas were totally shut due to COVID-19 lockdown. EBITDA was negative ₹104 Crores as compared to a negative ₹35 Crores in Q1 FY2021. PAT was at a negative ₹101 Crores for this quarter as compared to negative ₹52 Crores in Q1 FY2021.

Performance in our key operational matrix were as follows: In Q1 FY2022, the footfalls were only 8.25 lakhs and as I mentioned earlier, there are no corresponding operational figures in Q1 FY2021 as the cinemas were shut due to COVID-19 lockdown. In Q1 FY2022, occupancy was at 12%, ATP at ₹173 and SPH at ₹78.

As there was an impact on revenues during Q1 FY2022 due to the second wave of COVID-19, we have tried our best to keep our fixed costs under control; however, year-on-year comparison of Q1 FY2022 with Q1 FY2021 would be skewed as Q1 FY2021 was a complete shutdown.

We can see that from the numbers on a quarter-on-quarter basis our employee benefit expense including agency manpower has gone down from ₹37 Crores in Q4 FY2021 to ₹27.1 Crores in this quarter. Power and fuel and R&M expenses had decreased from ₹24.1 Crores in Q4 FY2021 to ₹10.1 Crores in this quarter. Our expense toward the rent and CAM during Q1 FY2022 was ₹74 Crores. During the second wave of COVID-19, we have renegotiated rent and CAM in nearly 65% of our properties. Rent and CAM for Q1 FY2022 includes rebate and concessions gained from negotiation that was settled with the landlord during Q1 FY2022 and so rest of the ongoing negotiations we have considered full rent and CAM as per agreement.

We have also reduced our other overheads in this quarter from ₹20.5 in Q4 FY2021 to ₹10.7 Crores in Q1 FY2022. Currently, as we speak 13 States and one Union Territory where INOX is present have allowed us to open up our cinemas. Most of the States have a

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seating capacity restriction of 50%. Five States have yet to come out with an order to allow cinemas to open for business. In terms of shareholding structure as on July 30, 2021, FIIs owned about 16.23% of the company, DIIs owned about 23.18%, promoter and promoter group hold 43.63% and public and other owned 16.96% of the commission.

The share price as on July 20, 2021, was ₹325.6 which gives the company a market capitalization of approximately ₹4000 Crores. In April 2021, we opened SBR Horizon Bengaluru with 5 screens and 694 seats. Based on the agreement already signed, I feel proud to share that beyond FY2022, we have properties signed up to the extent of nearly 133 more properties, 926 more screens with an addition of another 171,675 seats and once this entire pipeline is fully implemented, we will have 296 properties, 1618 screens and nearly 327000 seats. At present, we are operational in 18 States and one Union Territory present in 69 cities with 153 properties and 648 screens.

The 8.25 lakhs footfalls, which I talked about in Q1 FY2022 was mostly due to release of Wild Dog, which is a Telugu movie, Sultan, which is a Tamil Movie, Karnan again which was in Tamil, Vakil Saab, which was in Telugu, post normalcy from the second wave multiplexes do have a healthy lineup of movies wherein Hindi, English and there are movies in other Indian languages. If we look at the movie lineup, I think it is mouth watering and in Hindi we have movies like Bell Bottom, Satyameva Jayate, Suryavanshi, Shamshera, Prithviraj, Lal Singh Chaddha, just to name a few. If I talk about movies in other Indian languages we have RRR, KGF-2, Pushpa, Radheshyam and many more to come and English is not far behind F9: The Fast Saga, The Conjuring: The Devil Made Me Do It, Jungle Cruise, Suicide Squad, Spiderman and the list gets endless.

Another important set of stakeholders for us other content partners and has been in constant dialogue with them. Due to the second wave producers and distributors have deferred their movie releases and majority of the producers and distributors are in favor of releasing their movies on the big screen. As mentioned earlier, we have a very healthy lineup of movies to show once normalcy returns.

As far as capex is concerned, we have 19 screens wherein 90% of work has been completed hence would require an additional capex of anything between ₹8 Crores to ₹10 Crores and we may open and invest in another 25 screens, but all that depends on the normalization process and how the movies do. For those 25 screens, we would require an additional ₹65 Crores.

I would also like to reiterate that our liquidity position is very strong. As on July 31, 2021, we have liquidity of close to ₹400 Crores, which includes undrawn limits of ₹120 Crores, alternatively INOX owns 6 cinema properties and a head office. As per market valuation if

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required we can raise close to ₹350 Crores by doing the sale on a lease back of these properties. As on July 31, 2021, our gross debt is 117 Crores.

Well, gentlemen, this was a brief about the quarter, which has gone by and with that Kailash and I would like to open this up for any question and answers that you may have.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amritasai Sista from Edelweiss Securities. Please go ahead.

**Abneesh Roy:** This is Abneesh from Edelweiss. My first question is, Mumbai and Maharashtra still has not opened up, so do you see any risk to the release date of Bell Bottom given it is a large and big budget movie and you will need one to two weeks for the marketing any movie, so given that looking at risk from the release date of success, current release date?

**Alok Tandon:** Well, you are right Abneesh that Mumbai and Maharashtra have not allowed us to open and well we were also shocked that we have not been allowed to open though we were expecting that yesterday when the circular came out that the multiplexes and cinema halls in Maharashtra would be allowed to operate, but that is not the case, whatever we have heard Abneesh, is that the producers will go ahead with the release date and they will not wait for Maharashtra to open, so that is what we have heard, but they will be the right people to answer the question, the producers, but we feel that they have announced the movie in any case and they should be releasing it on August 19, 2021, with or without Maharashtra allowing the opening of the cinema halls.

**Abneesh Roy:** Second is, how would you deal with the reluctance of consumer to come to the screen given there was recent survey which said that few customers want to go to multiplexes, cinema theatres with a air condition environment so I have seen media come out with promos on buy one get one offer, etc., on F&B if consumer is vaccinated, so if you could talk about what are your plans and how do you see consumers coming back on the next one to two months, when we do see peak coming back of course on the presumption that there is no wave three? No one knows about it, so let us take that has a bit?

**Alok Tandon:** Let me tell you that we know that consumers are going to rely on brands that they trust in the post-pandemic era and that are where a hard work put in by our teams will come into play Abneesh. We at INOX have lead a lot of focus on hygiene and sanitation of our cinemas, we have invested a lot of time in training and awareness about the new normal only to ensure that cinemas remain the safest public places. How I look at it Abneesh is that our marketing team will also come up with various incentives to tell people that you please come to INOX and ours is the safe cinema, but having said this, one has to do a lot to

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convince guests to come back and which can be demonstrated by keeping your properties neat and clean by ensuring that adequate fresh air is pumped in by ensuring that all the seats and all the public areas are cleaned and sanitized after every show, so one have to literally win back the customer's confidence when they come into your properties. We too will come up with various incentives for our guests and our marketing team is working on how to make them happy, and feel safe and then we are looking at offers of a popcorn or a BOGO or any other thing which can incentivize them come to the multiplex.

**Abneesh Roy:** Last question, what has been the initial response where films are opened these are early days and content itself may be limited plus on the 100% allowance by one or two States what is the purposes you are getting will the 100% capacity has started this time, last time it was slow, but at this time its quite surprising that one or two States have already allowed 100%?

**Alok Tandon:** Well, last Friday there was a Telugu movie, which was released and we can say that we had a houseful shows and when I say houseful, Abneesh means wherever the State Government has allowed us to open the 50% capacity every alternate seat was full and where we were allowed with operate 100% capacity the entire auditorium was full, yes, we followed all safety protocols as advised by the Ministry of Information Broadcasting and various State Governments, but people want to come out, people want to breathe differently for them sitting at home for the last 14 to 15 months, I think has taken a toll and there is a pent up demand for people to come, enjoy themselves and watch a movie on the large screen, so the weekend has been heartening and we have seen some great footfalls across the country.

**Amritasai Sista:** Okay and you expect States to allow 100% much earlier this time?

**Alok Tandon:** Well, that all depends on the State, Abneesh. We are requesting all the State Governments that as we are COVID compliant we are following all safety precautions, please allow 100% capacity, but that is for them to decide, but our only request to them is that it should be done sooner rather than later.

**Amritasai Sista:** That is all from my side. Thanks and all the best. Thank you.

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

**Jinesh Joshi:** Thanks for the opportunity. Sir, I have a question on your team with Maharashtra and Tamil Nadu yet to open, probably the big budget releases might take longer to release although you mentioned that Bell Bottom might go ahead with its release date of August 19, 2021, probably that will be an exception, but taking this into account that the releases might take

some time, do we plan to open our properties in the geographies where we have the permission because the actions of big releases revenue accretion from these properties will be minimal, but the fixed cost from reopening will start hitting our P&L so just wanted to know how do we plan the reopening this time?

**Alok Tandon:**

Well, we all are waiting for Maharashtra and Tamil Nadu to allow. Yes, you are right that these are big States and they give us a lot of revenue, but whenever States have allowed us to open we should open because number one, as I said earlier that the customers have to come back to the cinema halls and whatever we are showing today is getting good traction. We have to also win the confidence that is number two and as of now Bell Bottom is coming on August 19, 2021 and what I have been told that the trailer is being released today, which is a very important point, but the flow of movie is there, if I look at The Suicide Squad that is coming on August 5, 2021, Conjuring should be released on August 13, 2021, F9: Fast Saga August 19, 2021, Reminiscence August 27, 2021, so I feel that the content is there and once we exhibitors open our screens, once the State Governments allow us to operate there will be lots of producers who will announce their movies and then there will be a great flow starting I would say for the next two to three weeks, there will great movies coming out week after week.

**Jinesh Joshi:**

Sure, Sir and in the presentation, we have Stated that we have permission to 459 screens, how many have we opened at this point in time?

**Alok Tandon:**

As we speak about 201 screen we have opened and these are which programed because the issue is the content to show, is not as we would like to have as of today, so it is about 201 screens that we are operating with. This was yesterday. Today we added more screens, so we will come to know the actual count tomorrow morning, but nothing less than 201.

**Jinesh Joshi:**

One last question, is it possible to kind of share how much do Maharashtra and Tamil Nadu typically contribute from a collection standpoint at the industry level on a pre-COVID basis, rough cut figure you would like to give out?

**Alok Tandon:**

It all depends on the language and the genre of the movie, but if I look at Hindi, the entire pie of Maharashtra would have 20% to 22%.

**Jinesh Joshi:**

Thank you so much.

**Moderator:**

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

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**Ankur Periwal:** Thanks for the opportunity. Sir, first question is on your monthly cash burn you know you have been pretty strict in terms of our cost control the last few quarters, so any thoughts there with the new scheme coming up and given that you also suggested that we will be opening up screens across the locations wherever there is the permission with the content be there or not, any sense you can help on the cash burn side on a monthly basis?

**Alok Tandon:** Well, we are looking at the cash burn as if it was Q1 of FY2021 as there is a total lockdown, so whether it is maintenance, whether it is manpower, whether it is seat light and power, we are looking at every expense with a fine-tooth comb and trying to curtail whatever we can as of today. When I said that we will be opening everywhere, yes, we will opening all properties, but depending on the flow of movies we will be adding more screens in those particular properties, for example, if there is a seven screen, we may have content as of today to show only in three or four screens, but going forward as a content pipeline improves, we will be adding more screens, so we are trying to control costs in different ways, in different properties and different geographies, so but let me assure everyone that our focus on cost cutting is there and we are trying to burn as little money as possible month-on-month.

**Ankur Periwal:** Sir that is helpful. Secondly, on the digital side and on the newer initiatives, which you had alluded to in the earlier quarters in terms of F&B sales etc., if you can highlight what all initiatives we are trying to push forward there?

**Alok Tandon:** Well again, so let me tell you, nothing happened in Q1 whether it was the digital initiatives or having different formats of screens that will continue once we reopen, where F&B is concerned, yes, our focus is at this time on F&B whether it is having or re-engineering the menu, whether it is having new food items, whether it is a partnership with aggregators so that INOX food could reach the comforts of their house, we are working on all of those parameters and sooner than later as soon as we open we should roll out the entire F&B plan.

**Ankur Periwal:** Sure and just a bit on the digital side which you alluded to, the online ticketing or an app based sort of subscription, etc., are we planning to implement those initiatives as the permanent feature or probably we will take a call as screens open up and that leaves sort of?

**Alok Tandon:** Are you referring to the loyalty program because app based ticketing and all?

**Ankur Periwal:** Yes, both, exactly loyalty as well as the other initiatives that we have taken earlier?

**Alok Tandon:** Well, I can say that and they are on track, and I can say that even when we were shutdown, we had lots of members to be keen or lots of people who became a member of the loyalty program by just enrolling and writing their name and adding a few other points as required

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in the sheet to become INOX members, so that is a very, very positive and a very heartening sign, going forward, a loyalty program will continue, the incentives we give to our guests will continue and also while there will be a lot of incentive for guests if they book tickets through the website, the INOX app and even while going forward our INOX app will be used a lot to order food, so I would say 360-degree effort, which we are having to use technology, whether its our website, on our app or via to loyalty program, so all those endeavors and all our plans will continue going forward, Ankur.

**Ankur Periwal:** Great, Sir. Thank you and all the best.

**Moderator:** Thank you. The next question is from the line of Vikram Ramalingam from Maybank. Please go ahead.

**Vikram Ramalingam:** Sir, thank you so much for the opportunity. My first question is, is there a Government directive or initiatives from INOX who insist or ask for your patron's COVID certificates and vaccination certificate, will you be doing that?

**Alok Tandon:** See, we want our patrons and our staffs and our employees and our vendors to be absolutely safe. So we will do whatever the Government tells us to do whether it is the central Government or the State Government. There are few State Governments, which have told us that we have to check the COVID certificate of people who enter our premises and we are doing that. There are other places where they are silent, but what we are doing is that we are ensuring and following all COVID safety protocols, so when you say that anything which INOX has done with the State Government I would say that whether it is INOX or the Multiplexes Association of India, during the lockdown before it was lifted we sat with the Governments of various States and the Center and discussed the way forward by coming up with various SOPs and that is something which was implemented by the Governments and we are following it, so whether it is INOX or whether the Multiplexes Association of India we have been quite forthcoming and we have taken the lead in designing SOPs that to be followed and which are safer, our team members or vendors and that the guests who come into our theaters.

**Vikram Ramalingam:** Right, fair enough, thank you. My second question more along the lines of an observation that all the movies, which have gone for a direct OTT release like Radhe and even couple of other reasonably medium or a big ticket movies, we somehow do not see the revenue or box office collections in their case being disclosed in public and I presume that that would be a challenge for producers as well because they will not be able to determine how much they should or how much they are entitled to get so in your conversation with film producers, do you think this is one of those challenges, are there any other challenges other than the financial part, so I understand the part where in box office collections obviously will be the

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bulk of their collections, but do you think there are any other issues that film producers with direct OTT release?

**Alok Tandon:** What I think the right people to answer that question are the film producers, but I am a public in this, if I may use that word, so we will not come to know the number of people who watch the movie or the amount of money which the producers got, the producers is the only person who knows, how many eyeballs have watched the movie and number two what money he has received, but for others no one knows that what is the amount of money earned by the producer or how many people have watched the movie, so for me even though we are a part of an exhibition group we are not privy to those numbers at all.

**Vikram Ramalingam:** Thank you so much. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Harit from Investec. Please go ahead.

**Harit:** Good evening. First question was on the rent and CAM number there was a sequential increase in the rent and CAM Q4 to Q1 my assumption would have been that this number would have been a bit lower given the fact that we had been in successful renegotiation so could you just take me through what has happened and how are you seeing it now as the quarter ended or in July?

**Alok Tandon:** We are still in talks with our various partners and as you know for 65% of our properties the rent and CAM has been closed and the issue is sorted out, but for the remaining we are in talks with them and I would say that we will have a clear pictures in the coming weeks that where we are in rent and CAM, but I am very hopeful that it will be quite favorable as whatever we have got from the 65% partners of ours whom we have already concluded the negotiations, with the remaining also we will be able to do in the same lines.

**Harit:** Sir, the benefits of balance 35% where you said that in Q1 you booked the entire end and some of those benefits coming into Q2 it was successful negotiations with them?

**Alok Tandon:** Yes, that is right.

**Harit:** Got it. The second part was on just on the year and obviously Q1 you have done a extremely good job on restricting losses, I just wanted to get a sense of as we go through a month-on-month, year-on-year especially through year 2022, do you believe that Q1 is probably the peak of challenges in terms of losses for the business and as you to kind look forward barring any third wave impact, you know these losses should only keeps shrinking and probably turn green as you turn into third quarter and towards the end of it?

**Alok Tandon:** You are absolutely right, that is why in my opening statement I said that Q2 onwards things should turnaround and things should improve only going ahead only from here, so H2 should be great for us because of the lineup we have because whether it is Hindi, English or any other language and I feel that we are now turning the tide and we will have some great months going forward.

**Harit:** Got it and last question was known on the Hollywood precedence over the last two to three months obviously from a cinema perspective we have seen month-on-month box office collections increasing, but if you look at what has happened in the OTT side you have seen some of the producers who has also studios, who also own OTTs, they have done simultaneous producers; however, it seems like in certain cases there are some significant backlashes on that and now it is not as or the number of films that are going through this route they have reduced, so just wanted your view on how you see it, you see a kind of mean reversion throughout the industry even in Hollywood and that should flow through in all other markets?

**Alok Tandon:** What I think and I always believe that the windowing should be preserved and this is a globally expected norm that there should be a time lag between a picture hitting the screen and it is coming on any other platform and that I have seen it is a fundamental aspect of the entire cinema value. Well, let me also tell you that the windowing pattern has done wonders in terms of revenues for the content creators and other stakeholders as it offers the creator an opportunity to extract the best from the available mediums whether the cinema, OTT or satellite and let us also not forget that a good theatrical run, in a way enhances the brand equity and therefore allows content creators to command higher value for their subsequent platform. Yes, there have been a few people, for example, Black Widow, Jungle Cruise, day it release and from press reports we have heard that those movies could have earned substantially more, if they had come on theaters first and then come on an OTT and I think that literally corroborates with the fact that it is very important for the content to have a good windowing so that the producer or a distributor can exploit maximum from all verticals when the movie is released.

**Harit:** Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Girish Pai from Nirmal Bang Equities. Please go ahead.

**Girish Pai:** Thank you for the opportunity. I just had a question on this theatrical and OTT-related subject with possibly all big movies having some kind of OTT tie-up, do you think the producers have committed to certain OTT release dates, which are inflexible which irrespective of what happens whether there is a theatrical release or not, there is going to be

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an OTT release that is going to happen on a specific date or are they sequentially in such a way that they has to be a theatrical release first before they go to OTT?

**Alok Tandon:**

As I said, I will not be able to answer that question, you should ask that to a producer or the content creator because we are really not privy to the contracts which the producers have with various online platforms, so we do not know the release date or whether it is a moving date and the OTT platform guys have told them that no first it has to be released on the theater and then only it can come on a platform, so I will really not be able to comment on that.

**Girish Pai:**

My second question is on the rental renegotiations, you mentioned that you have got some concessions at least by 65% from the circuit, can you kind of indicate what those concessions are and secondly in the rent in the new renewals that are happening, are you negotiating the commercial structure in a different way compared to what you did previously?

**Alok Tandon:**

Well, answering your first question, the concessions we have got that we have been able to get revenue share in a lot of properties and wherever we are minimum guarantee that has been drastically reduced, so that is one. Going forward, well we have not signed any new deal in the last couple of months, but going forward I think it will be beneficial for both the cinema operator as well as the owner to have a higher portion of revenue share and a minimum guarantee should be slightly less but that going forward I cannot comment on it until we sign a few properties, whatever you have signed today is there with us and as we said that once there was lockdown in phase 1 and phase 2 that is the time when we got help from our partners, our developers and it was nice that we got less share or a reduced MG and I would say nearly for all the properties that will continue going forward.

**Girish Pai:**

My last question is with regard to support from the Government, whether it be the Centre or the States, this industry is kind of being hit quite hard have you heard anything from either the center or the States regarding any concessions be it in the taxation side or any fixed charger side being waived off for film exhibitors?

**Alok Tandon:**

Well, we are given representation to various State Governments and Gujarat has waived off the minimum demand for electricity and also on property tax so there they have come forward and we are hopeful that other States will also follow and we should get some rebate from the State Governments where we operate.

**Girish Pai:**

Thank you very much, Sir.

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**Moderator:** Thank you. The next question is from the line of Anurag Dayal from HSBC. Please go ahead.

**Anurag Dayal:** Thank you for taking my question, Sir. So, I have one question, which is slightly on a medium term basis, so last week we all heard the news that Amazon is scouting for some distressed asset for India cinema industry even in US also there are similar news is going on, so just want to understand from you how you think about a large international player with these pockets and the solution in the infant in Indian and how much it can change the industry structure and how you think about this risk?

**Alok Tandon:** As I said for earlier question, I think you should ask them that how they think about India and whatever the press reports were, so they are the right people to answer, but let me also tell you one thing that when I talk about the Indian cinematographic landscape, we are a very under screen nation and today what we are doing at INOX is we are trying to expand our footprint because we all know that we have only 8 to 8.5 screens per million population and if I talk about multiplexes it is about 2.45 to 3 screens per million population, so we at INOX are growing, we are very bullish about this industry, we have got a very robust pipeline and I always say that the Indian cinema industry is not going anywhere, it is a glint in 100 year history, but otherwise one things to prove that will normal and with the usual hassle and waffle around.

**Anurag Dayal:** Just put it another way, I mean what you all see as the barriers to entry in India industry?

**Alok Tandon:** What do you say, can you repeat that please?

**Anurag Dayal:** So what you see as the key barriers to entry for a new player?

**Alok Tandon:** Well, for me the barrier is the availability of real estate that is a big barrier because today when you look at various multiplex chains across the country I think we have some great good assets with us, the time it takes for a mall to come up in India and with all permissions and then cinema to be constructed in it and then have permissions to operate the cinema takes a lot of time, so the biggest barrier I see is a real estate. It also depends on how malls are shaping up in India and let me tell you that we have some great malls, which are being constructed and it shall be operational in the next couple of years so this I would say is a challenge because we all know that a mall and the multiplex have to coexist, they compliment each other, so to have a successful mall or vice versa it is nice that there is a multiplex in a mall because it adds value to the entire mall, it adds value to the other retailers and also it is good for a cinema operator to be a part of a mall as the footfall which are there, which can be converted into cinema, so the biggest barrier if I could say in one word today is the development of real estate in our country.

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- Anurag Dayal:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.
- Sanjesh Jain:** Thank you for taking my question. A couple of questions from my side: first on the properties we have signed that 926 properties, which we expect to come over the next few years, how should we see them, will the rentals will be the same as what we are paying today or will it have a more mix of revenue sharing in that, in that case how should we see rental cost as a percentage of revenue going forward because our expectation was that, if it is a fixed cost as the occupancies goes up we will have a benefit on the margin, do you think that incrementally as more and more mall or more and more screens come on a revenue sharing that operating leverage to that extent will come down?
- Alok Tandon:** No, it is too early to say that how do we see those 926 screens that we have signed, but let me tell you today our rentals are in the tune of 18% to 20% of the total revenues, going forward whether we have more properties signed on revenue share or a mix of revenue share and minimum guarantee or a fixed minimum guarantee is difficult to say, I would say that the entire company today has been battling how to survive this pandemic or how to still stay afloat, how to ensure that costs are reduced and I think it will be some time before we visit the drawing board again and go through every property that we have signed and then decide the way forward, so it is too early for me to comment on that.
- Sanjesh Jain:** That is right. Just one more question probably a follow up to that, one of your competitors said in the call that there are also looking out a model wherein some of the investment will come from the builders for the fit outs as well where they are going for a revenue sharing, which should make them more asset light and where the capex intensity for the company would come down, are we also in the mode to evaluate such kind of a model where we go more asset light?
- Alok Tandon:** Well, we have a few properties already where the developer has put in money into our property so that is not new for us, and we always encourage that because that reduces our capex cost and the developers also wants us to be in this property and that way he does put in money, so we already following that and that is not new to us at all.
- Sanjesh Jain:** You are telling this model is already in practice, but was it by design with we want to pursue more this or we are fine with whatever we are doing today?
- Alok Tandon:** Absolutely, if our developers putting in money why not, so we have had a few properties like this, we will be talking to more developers going forward and again I said it is too early

to see that how this pans out, people or developers who want to partner with us and they are more than willing to put in some money by capex.

**Sanjesh Jain:**

Got it. Second probably a question was earlier asked but small change, how has been your discussion with the producers who have taken the movies directly to the OTT because they will be probably the brand ambassador for that kind of a route, how have been their reaction internally if you have heard anything what are their experience going directly to the OTT and how are the other producers perceiving it? Have we had any discussion around that which you can share with us?

**Alok Tandon:**

Yes, Sanjesh, we speak with a lot of producers and distributors, but nobody has told us that what eyeballs that particular movie could garner, so again everybody was happy. I think that remember one thing we have to understand that the trend of a few movies which have gone in OTTs is purely result of the pandemic and the subsequent lockdown and that has got nothing to do with the cinemas incapability to draw crowds, so that is how it is. We know that there are lot of producers and I named some of the movies who are waiting to release their movies on the giant screen, some of them as I said are even releasing the movies with 50% capacity restrictions across the country, some of them are releasing movies without Maharashtra and without Tamil Nadu so every producer to his or her own, but when we speak to various people some have gone on the OTT platform, but what they are telling us that for the other movies they will come on the giant screen also, so it can be both, both could survive, Sanjesh, that is how we have seen it that the big marquee movies are waiting for theaters to open because as I said that nothing is more I would say kicks to a producer and to challenge that having people watching a movie on a big screen, whistling, shouting, clapping, so watching a movie in India is a communal experience and that will never ever go away.

**Sanjesh Jain:**

Completely agree on that point. One follow up here though it was a lockdown I think shooting was permitted, so how are the movie production going on, are we seeing the new lineup for a pipeline of movie say once this initial movie, which are expected to go live, or completed how we are seeing say six months down the line will that the pipeline remain equally robust for us to keep filling the screens?

**Alok Tandon:**

Absolutely, the pipeline will be there. The movies that you rightly said, the shooting has started without safety protocols so I do not see a time when there will be no movies hitting the screens on a Friday out of question, today as we speak we have got 25 films in Hindi, 25 in English and an equal numbers in Tamil, Telugu, Kannad, Bengali and these are movies, which are ready to be released, going forward as you said the shooting has started and I am very sure that there will be a lots of movies coming out on every Friday.

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- Sanjesh Jain:** So, we do see a challenge even six months down the line on the movie pipeline that remains crystal clear us?
- Alok Tandon:** Yes, not at all.
- Sanjesh Jain:** Got it. One last bit of a question from my side, assuming that we are hit by the third wave, it should not happen, but the worst case basis, do we think we are adequately capitalized to sail through say another quarter or so of a shutdown and we will not require anymore capital infusion, we would look at a mix of debt because we are a debt free company, how should we see the capitalization path and say preparation for worst case scenario to play out for us?
- Alok Tandon:** Well, let me tell you that we are adequately capitalized. We have got a very strong liquidity position and as we have shown in our presentation that we are close to ₹400 Crores including undrawn limits with us, so we can surely survive I would say the entire financial year and if not more.
- Sanjesh Jain:** Got it. One just small question assuming everything is fine in the second half, what kind of a capex should we build in for the second half, as we have projected another 10 screens to come out, what is that incremental capex means for us?
- Alok Tandon:** So 19 screens is nearly ready anything between ₹8 Crores and ₹10 Crores and as I said earlier depending on the flow of movies and the cash flows we have we could take a fit out another 25 screens and there the capex would be about ₹65 Crores.
- Sanjesh Jain:** Got it. That is it from my side. Thank you and best of luck.
- Moderator:** Thank you. Ladies and gentlemen, as this was the last question for today, I would now like to hand the conference over to the management for closing comment.
- Alok Tandon:** Well, I would like to thank everyone who took interest in our company and all those were present on this call and we assure you that we will ensure that we come back fitter and stronger and we will wait to welcome all of you to our lobbies to watch a movie with us. Thank you very much.
- Moderator:** Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.