



# “INOX Leisure Limited Q2 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen, welcome to the INOX Leisure Limited Q2 FY2022 earnings conference call hosted by ICICI Securities. 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. Thank you and over to you Sir!

**Sanjesh Jain:** Thanks Melissa. Good afternoon everyone. Thank you for joining us on INOX Leisure’s Q2 FY2022 results conference call. On the call, we have Inox management Mr. Alok Tandon, Chief Executive Officer and Mr. Kailash Gupta, Chief Financial Officer. I would like to invite Mr. Alok Ji to initiate proceedings with his opening remarks post which we will have Q&A session. Thanks and over to you, Alok Ji.

**Alok Tandon:** Thanks a lot Sanjesh. Hi everyone and a very good evening to all of you. I am Alok Tandon, and along with me is my colleague, Mr. Kailash Gupta who is the CFO of the company and on behalf of the management of the INOX Leisure Limited, we welcome you all on this call.

Our Board has approved the quarterly results for Q2 FY2022 and the same has been uploaded on the website of the stock exchanges and the company’s website also.

Friends Q2 was an extremely important quarter for us as it emerged as that critical juncture that we all strived hard for so long to witness. While the numbers may still have a fair distance to cover, but we can proudly say that our resilience and our spirited defense has finally given us the strength to make a comeback which has just begun.

We knew that it is going to be a matter of time when this happens and with immense contentment, I am glad that the journey has begun. Our guests would continue to remain the core of all our decisions, safety and hygiene will remain the topmost priority. We will put to use all our learning of the downtime, our experiences from the tough time, and our understanding of the business to make sure that we keep ourselves abreast with the expectations and aspirations of our guests.

With the worse behind our back and plenty of optimism to look forward to, we are setting into the future with lot of positivity and if the numbers of Maharashtra opening anything to go by, I would say that we are very, very positive and looking forward to some great numbers.

A fascinating line up with array of stars from all genres is ready to welcome the cinema lovers across the country. With almost every superstar in action, we are sure that the audiences will pour into the cinemas very frequently.

Also, we are glad that we will be able to make up with the cherished moments lost to lockdown and if movies are not enough, we will further add to our guests dilemma with the screening of ICC T20 Men's World Cup matches and when our guests visit us again and again our F&B team will ensure that they would have a new choice to make from the menu every time. Our F&B roadmap has shaped up well and has started fructifying as we speak.

While the association with ITC Kitchens of India brand allows us to add numerous authentic Indian options to the menu our association with food delivery platforms like Swiggy and Zomato and table reservation platform like EazyDiner will help us to let our guest enjoy food even if they are not watching the movie at Inox.

Before I take you through the numbers in the presentation, let me take this opportunity to thank all the state governments for allowing cinemas to operate. The SOPs are user friendly besides ensuring safety and hygiene.

One of the key highlights are as follows: Inox added two cinemas with six screens in Q2 FY2022. Cinemas are now allowed to operate in all the markets of India and from 25<sup>th</sup> of this month we will be also opening our cinema in Kerala. Cinemas are now allowed to operate with various percentages of capacity which I will talk a little bit later. We are the only national chain that is net debt free. Additionally, we have a strong liquidity position.

Let us now look at some of the financial highlights of Q2 FY2022: The second wave of COVID-19 had forced all cinemas to shutdown from April 2021 onwards. Cinemas were allowed to open up from July 2021 onwards in a staggered manner by various states thereby severely affecting revenues. In Q2 FY2022 the revenue is Rs.53 Crores as compared to Rs.5 Crores in Q2 FY2021.

Q2 FY2021 figures are skewed as cinemas were shut due to COVID-19 lockdown. EBITDA is at Rs.-59 Crores compared to Rs.-30 Crores in Q2 FY2021 and PAT in the quarter which we are talking about is at Rs.-68 Crores as compared to Rs.-48 Crores in Q2 FY2021.

For H1 FY2022 the revenue is Rs.79 Crores as compared to Rs.8 Crores in H1 FY2021. EBITDA is at Rs.-162 Crores as compared to Rs.-65 Crores in H1 FY2021 and PAT in the quarter that we are talking about is Rs.-169 Crores as compared to Rs.-99 Crores in H1 FY2021.

In Q2 FY2022 the footfalls were 18 lakhs and as I mentioned that there is no corresponding operational figure for Q2 FY2021 as our cinemas were shut due to COVID-19 lockdown. In Q2 FY2022 occupancy is at 10%, ATP at Rs.178 and our SPH at Rs.92.

In H1 FY2022 the footfalls are 26 lakhs and there is no corresponding operational figure for in H1 FY2021. The occupancy for the six months is 11%, ATP Rs.177 and SPH Rs.88. We have tried our best to keep our fixed costs under control; however, year-on-year comparison of Q2 FY2022 with Q2 FY2021 would be skewed as Q2 FY2021 was a complete shutdown.

We can see from the numbers also that on a quarter-on-quarter basis our employee benefit expense including agency manpower has been more or less in the same range that is Rs.27.1 Crores in Q1 FY2022 to Rs.28.4 Crores in this quarter.

Power and fuel and repair and maintenance expenses have increased from Rs.10.1 Crores in Q1 FY2022 to Rs.14.3 Crores in this quarter. This relates to the fact that we were optional for more number of days in Q2 FY2022. Our expense towards rent and CAM during Q1 FY2022 was Rs.73.9 Crores as compared to Rs.40.4 Crores in Q2 FY2022. During the second COVID-19, we had negotiated rent and CAM to the tune of 86% of our properties.

Rent and CAM for H1 FY2022 includes the rebate and concession gained from negotiations that was settled with the landlords during H1 FY2022 and for the rest of the ongoing negotiations, we have considered full rent and CAM as per the agreement.

We have also maintained our other overheads in this quarter from Rs.10.74 Crores in Q1 FY2022 to Rs.11.8 Crores in Q2 FY2022.

In terms of shareholding structure as of October 14, 2021, FIIs owned about 16.81% of the company, the DIIs about 21.96%, promoter and promoter group hold 43.63% and public and others own 17.60% of the company. The share price as on October 14, 2021 was about Rs.415.10 paisa which gives the company a market capitalization of Rs,5078 Crores.

Currently all states where Inox is present has allowed us to open our cinemas and as I said that every state is operational and Kerala we will go operational from October 25. States like Andhra Pradesh, Karnataka, Odisha, Rajasthan and Telangana have permitted 100% capacity utilization. Punjab and Gujarat have allowed 66% and 60% capacity utilization respectively. Rest of the states where Inox is present has allowed 50% of capacity utilization.

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In Q2FY22, INOX has opened JTM Jaipur with 3 screens and 585 seats and Reliance mall bhilwara with 3 screens and 625 seats. Based on the agreement already signed, I feel proud to share that beyond FY2022, we have signed up to the extent of nearly 134 properties, 927 screens and nearly 171,000 seats and once this entire pipeline is fully implemented we will have 297 properties, 1619 screen and nearly 327,000 seats.

At present, we are operational in 18 states and one union territory, present in 70 cities with 156 properties, 658 screens and approximately 1.5 lakh seats.

In Q2 FY2021, we had promising content like the Suicide Squad, Bell Bottom, Fast and Furious, The Conjuring: The Devil Made Me Do It, Love Story, and Shang-Chi and the Legend of the Ten Rings.

We are delighted to inform you that in the coming month we have a healthy line up of movies which are already waiting for release. In November this year we have movies like Sooryavanshi, Annaatthe, The Eternals, Antim, and this just to name a few. In December we have Pushpa Part 1, Spiderman - No Way Home, 83, The Matrix 4 and in January we have movies like Gangubai Kathiawadi, RRR, and Prithviraj.

Our cinemas were shut due to the second wave of COVID-19 and as a result we have renegotiated our rent and CAM with the landlords and we have successfully negotiated rent and CAM for about 86% of our properties.

Another important set of stakeholders for us are the content partners and we have been in constant dialogue with them and we have convinced them to defer their movie releases during the second wave of COVID-19.

Currently, as I mentioned earlier all states have been permitted to operate the cinemas and as a result, the producers and distributors have lined up with a strong content pipeline.

As far as the CAPEX is concerned of the overall guidance of 49 screens to be opened in FY2022 we have already opened 15 screens. We have 9 upcoming screens wherein 95% of the work has been completed and hence would require an additional CAPEX of only Rs.4 Crores to Rs.5 Crores and the remaining 25 screens would be opened once things normalize and these 25 screens would require an additional Rs.65 Crores.

I would also like to reiterate that our liquidity position is very strong. As on October 18, 2021 we have liquidity close to Rs.300 Crores including undrawn limits of Rs.120 Crores. Alternatively, INOX owns 6 cinemas properties and the head office. As for market

valuation, if required we can raise close to Rs.400 Crores by doing a sale lease back of these properties. As on October 18, 2021 our gross debt is only Rs.93 Crores.

Well let me also tell you and assure you that we continue to outperform the sector in terms of profitability matrices and minimizing losses. Well that was brief about the quarter which has gone up and with that we can open up for question and answer session.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Abneesh from Edelweiss. Please go ahead.

**Abneesh Roy:** Thanks for the opportunity. My first question is on the 100% occupancy which has been allowed by five, six states. When do you see that getting used in the prime time? Do you see that happening in the festive season and already have you seen some promising data there?

**Alok Tandon:** Yes Abneesh wherever we have been allowed 100% occupancy we have seen some good footfalls, but also let us talk about places like Rajasthan where we have been allowed 100%, but the people of north are waiting for more Hindi movies to come and I am very hopeful that come November we will have great occupancy in Rajasthan, but having said this Andhra Pradesh, Karnataka, Telangana, and Odisha, the other states where 100% is allowed we can see some good traction and people are coming out to watch movies.

**Abneesh Roy:** That was my second question that now with Maharashtra getting opened up soon, very soon in the coming days itself, do you see a problem of plenty wherein Hindi movies there will be suddenly too much of pipeline, so is proper planning happening, who is ensuring that because this kind of problem of plenty, we have not really seen in the past ever because phase one of COVID was quite short, this time it is much more confident for the movie producers to come on the theaters, so this problem is happening for the first time, so do you see that has an issue problem of plenty and not proper planning?

**Alok Tandon:** Well that is a good problem to have, Abneesh. I would not think about that at all and Maharashtra has opened from today. So it is always nice to have more movies and every Friday being a blockbuster Friday but let me tell you, we cinema operators are already used to having at least 15 to 16 new titles every week, so if I remember right in FY2020 INOX showed about 1100 different titles or unique titles. So having more titles on a particular Friday is no challenge at all. Having too marquee movies being released on a festival season whether it is Dussehra or Diwali, Christmas, Republic day historically we have had two to three big movies being released on these days. So again this is not a challenge. Let me tell you Abneesh the beauty of multiplex is that we can programme more movies. We can give them great show timing. We can have more shows per day of a particular movie, so I do not call it a problem. I would say it is a nice thing to have. The only choice a guest will have to

make that, which movie to see first, whether to see a movie X on a Friday and Y on a Saturday or vice versa that is it, but otherwise I do not see this as a challenge at all. Again, I am using the wrong word because we use it as a problem, a great problem to have.

**Abneesh Roy:** Sure and last question on the IPL is this more of a marketing exercise given 18 months of consumer not coming to theaters because in the past pre-COVID this was not exactly fulfilling all the tick marks in terms of full occupancy given it is not something which is happening regularly plus the long hours, plus all those issue so do you see this being profitable this time in terms of IPL?

**Alok Tandon:** Well I think you are talking about the T20 World Cup not the IPL?

**Abneesh Roy:** Sorry, sorry T20.

**Alok Tandon:** So Abneesh when we showed the World Cup 50 over matches live on our screen about two years back when they took place in England we had nearly houseful shows. On the other hand T20 is only a three hour slot and we know that how crazy we Indians are about movies and about cricket. So watching a cricket match in an ambience where you have decorations done, you have got whistles, you have got people sharing your favorite team is I would say is a great thing to have and the first match we will be showing on Sunday which is India versus Pakistan and we already have lot of block bookings and houseful shows for that so that is one. Number two to tell you INOX has always took pride in showing a non-cinema content on our screens, alternate programming which we call, whether it is having one act play, whether having cinemas, whether having AGMs, whatever it is we always ensured there is something or the other happening on our seats. Going forward also there will be a lot of impetus. I have already said that apart from showing cinemas we also have bouquet of documentary of NAT Geo and Discovery which we show school students, but yes as of now all schools are shut but going forward we will be continuing with that.

**Abneesh Roy:** One related last question was you are doing the gaming also, so they plan to start. What is your thought process on this, is it early days?

**Alok Tandon:** Well, gaming is quite big all across the world and as I said that alternate content always we have insured that we do something or the other to have guests come to our cinema halls. Gaming is one of the various things which we will be doing also, so it is whether showing as I said various things of having matches on our screens or showing BTS that K-pop band which is there from South Korea, their movies. We keep on doing something different to get our guests happy and to come into our theaters. So Abneesh we are also looking at various things apart from the things which I have said and I think very soon we will be able

to talk about the various tie ups and marketing relationships that we have with various companies to use our screens, our auditoriums, and our lobbies for different activities.

**Abneesh Roy:**

That is very helpful. That is all from my side. Thank you all the best.

**Moderator:**

Thank you. We have the next question from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

**Jinesh Joshi:**

Thanks for the opportunity. Sir for all the fresh contents that has been lined up will the distributor share be similar to the pre-COVID levels. I mean have we entered into negotiations or is it still under process that is question one? Secondly with normalization expected to happen by 2H when is the windowing gap expected to reverse from eight weeks?

**Alok Tandon:**

Jinesh, we talk to all producers and distributors one on one whether it is for a Hindi movie or for the English movie or for any movie in other Indian languages. We all know that the last 18 months have been challenging for everybody. So I think it is a give and take whether it is the producer or whether exhibitors, we look at giving a few percentage points more or take from him, so that is something which we keep on doing with our producer friends. There has not been a case where we have an issue with distributor share because they also realize that it is good that people come and watch the movie on the screen and the footfalls increase when a movie is on screen and especially by word of mouth, the movies does well and also there is a lot of pent up demand. So no distributor until now has an issue with the distributor share that we have. A slight increase maybe in the second week by 1% or 2% stage points was there in the last couple of months. Maybe going forward we will have a picture by picture discussion with our producer friends, but I am very hopeful that come April 1, 2022 things will be back to normal and we will be having the same percentage with distributor from that day, but maybe for a couple of weeks or maybe a month or two, but we share a few percentage points more with them rather than not showing the movie and neither the producer would like that the movie is not shown, so it is a win-win situation for both and we will keep on analyzing and discussing with every movie and content creator when the movie is about to be released.

**Jinesh Joshi:**

The windowing gap part?

**Alok Tandon:**

Well windowing traditionally has been eight weeks. I am very sure that going forward also it will be eight weeks but maybe for a few movies which are coming in the next month or so could be less but even the content creator realizes that more a movie performs at the box office it is good for the content creator then he can leverage the amount of success the movie has had in the box office with the other platform guys for example other OTT,

whether it is music, whether it is satellite or any other thing, so how a movie performs at the box office also determines how much a content creator can get from other platforms so that in a short term the window could be for about 4 to 5 or 6 weeks but I am very hopeful and I am sure that going forward it will be eight weeks as it has been prior to COVID.

**Jinesh Joshi:**

One last question from my side, now if I look at this quarter despite the fresh content being played like Bell Bottom and F9 our ATP at Rs.178 is lower than the pre-COVID figure of approximately Rs.200 odd so how should we interpret this number?

**Alok Tandon:**

Well going forward we the ATP will increase as we always say at the rate of inflation, but if you see that marquee movies and the big movies in Hindi will only start from November. Yes Bell Bottom was a great movie which came out, but that was only one big Hindi which came and otherwise there were movies in other Indian languages and English which were there and also the states which opened, for example, Punjab, Telangana, Gujarat the content in English was less over there because Punjabi movies did amazingly well. We had some great movies in Telugu in Telangana. So that was the reason why our average ticket price was slightly less than pre-COVID rate, but let me also assure , that for Bond or Shang-Chi we had ticket pricing at pre-COVID levels, so we decide what is the paying propensity of the people, the cost structure of that particular property and the newness of the film and the pull of that particular film and that is how we decide the pricing strategy, but I am very hopeful that come next quarter we will be back to where we were or even better than pre-COVID days.

**Jinesh Joshi:**

Sure Sir on the T20 World Cup which we alluded to in the prior question, the rights which we have, do we have to pay a fixed fee or that model is also on a distributor share kind of a thing? I mean how does it operate?

**Alok Tandon:**

Well Jinesh I will not be able to share much on that, but let me tell you with ICC we have got a great relationship, so whatever share is something which is win-win for both of us.

**Jinesh Joshi:**

Okay Sir. Fair enough thank you so much.

**Moderator:**

Thank you. We will move to the next question from the line of Harit Kapoor from Investec. Please go ahead.

**Harit Kapoor:**

Good evening. I had two questions firstly on the end concession sites. Given that you know you are more or less going to be back to normal levels in terms of operations pretty much starting from 25<sup>th</sup> of October with Kerala also opening up. I just want to get a sense of how far can we continue to get benefits of rent concessions, do we see some part of it playing out in the Q3 as well, obviously lower than what probably Q2 would have been and could part

of that be in Q4 as well. I just wanted to get a flavor of your rent concession and negotiation pipeline on how you can manage it?

**Alok Tandon:**

Well we got a rental relief from our landlords, it is not whether it was the last COVID lockdown or this on and Q1 and Q2 also we see our numbers, we have got relief from our partners and there are still 14% of our properties where we are discussing with the developers and I am very hopeful that we come out with a win, win situation, so I am not at all worried where the rents are concerned. I think the mall developer also realizes that a cinema to do well both have to whether its a cinema or the mall both have to coexist and we both have to do well. I can only say that it has been a great response for all our developers and landlords. The 14% properties which are left will also be where both of us are happy and there will be no shock and the numbers will remain stable going forward and especially this I am talking about lockdown. Every agreement is made in a different way, so come April 1<sup>st</sup> next year things could be back to normal where rates are concerned.

**Harit Kapoor:**

So if they are going to be back to normal from April 1, you still see some benefit of negotiations coming through for Q3 and Q4 also?

**Alok Tandon:**

Could be, and just to tell you Harit, this has just opened. This is something where every property developer is spoken with and we both will take a call come I would say Q4 and then decide the way forward.

**Harit Kapoor:**

The second thing was the earlier participant asked about ATP but my question was on SPH side, so last two quarters you have seen SPH increase and this quarter it is at Rs.92. I just wanted to get your sense on in spite of the Bollywood content not being there, regional and Hollywood playing the bigger part we have seen a jump in the SPH levels is it largely due to mix because Hollywood was fairly a large share this time around. I mean how do you see that because this is higher than your historical levels.

**Alok Tandon:**

Yes so it is high because we had shows only during the prime time. They were lot of states where shows were not allowed after 10 o'clock at night or 11 o'clock at night and hence we had lot of shows between let us say 4 o'clock in the evening to 10 o'clock in the evening and the people who historically come for these shows have got a high paying propensity. Also the mix the food which we had, had an impact on increasing the SPH. So yes historically it is the highest and going forward our endeavor just to ensure that we keep this and keep on moving forward and also let me tell you that our other foods initiatives we have taken whether it is tying up with ITC or whether having Insignia Kitchen ready and being operational in various parts or having block bookings where people buy food, so we are doing a lot of stuff where food is concerned and I am hopeful Harit that in the coming quarters we will only get better where SPH is concerned.

**Harit Kapoor:** Now just a followup on that is that you know I think Maharashtra allows you to take food into the screens there so do you see an impact in Maharashtra on account of this that the SPH level is really lower than historical levels because of this fact?

**Alok Tandon:** Yes Harit it could happen because in Maharashtra food is only allowed to be consumed in a lobby and not to be taken inside, so there could be an impact but it is too early to say but if we go by history and what happened in last lockdown, yes Maharashtra pulled us down a little bit, but then it is only a glib, it is only a matter of few months and then we will be back to normal.

**Harit Kapoor:** I have more questions. I will come back \in the queue. Wish you all the best. Thanks.

**Moderator:** Thank you. We have the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:** Thanks for the opportunity. So first question continuing with the SPH bit in the last quarter have we seen any behavioral changes in terms of consumption. People may be consuming more or it was largely the packed food was being served and still people consumed higher and hence the higher SPH share and a parallel question to that once screen opens up maybe 50%, 100% are we going back to the live counters and which can push up these numbers further?

**Alok Tandon:** Ankur just to answer your question we have already gone back to live counters in other parts of the country. What we have seen over a period of time our strike rate has increased and also the items per head purchased by our patrons have gone up and this is something which we are monitoring and we are trying our best to increase the strike rate as well as the items per head which I spoke about, having new menus, ensuring that we have more process in our theater. So even when we had limited manpower in other parts of country when we reopen we ensured that our concession counters were always manned so that a guest has never to go back or see long queues so these are something which we are doing, but SPH primarily in Q2 has been because of increased strike rate items per head and also I said that we had block bookings where people were ordering more food.

**Ankur Periwal:** Second on the overheads and the cost cutting initiatives that we have taken over the last few quarters maybe Q3, Q4 that run rate should continue and by when should we expect the earlier run rate to come or let us say in other words how much of these cost cutting initiatives will be more longer term and sustainable here?

**Alok Tandon:** Ankur we have always said this and even in our previous call we said that whether it is the manpower cost or the cost of power in fuel, the other overheads, which include travel,

which include any other expense stationery, we have literally tightened our purse strings and going forward in a good run rate year, we could see savings up to 8%-10% quarter-on-quarter.

**Ankur Periwal:** Just a clarification on the rental negotiation which you mentioned. If I got you right the benefits which we were talking of in terms of the waivers on rent, CAM etc., were till H1 of this financial year and even H2 there are discounted deals or some fixed content, negotiated deals which will continue and it is only FY2023 onwards that then we get back to the normal rate preserving the matter remains intact?

**Alok Tandon:** Well lots of landlord have given us some rebate also for Q3 and we had discussion with others but when I answered that question I said that coming April 1, 2023 things will be back to the normal rental and CAM as per the agreement because I do not see a third wave of COVID and it should not happen at all, but in Q3 we could see some relief where rentals are concerned and Q4 I said it is totally open for discussion looking at what is happening in the Indian film industry in November and December and that is the time we will sit with developer friends again for Q4.

**Ankur Periwal:** Last question on the number of screen additions that we have on slide no 17 from 1600 odd screens any timeline you will like to share here, when are we expecting this 900 plus screens because where I am coming from is are there any COVID led delays in mall development, in the screen coming in, maybe some cancellation, some takeover etc., so any thought there if you can share from the timeline perspective?

**Alok Tandon:** Well Ankur surely there has been COVID led delays. There is no shying away from it because initially we said we will open only 25 screens but now looking at how things are opening up, we are saying that we will endeavor to open 49 in this financial year, we will endeavor. So 15 screens, we have already opened up, there will be nine more which in the next couple of weeks, you will hear our announcement and there are 25 more which we are keeping fingers crossed that there will be good cash flows, movie will do well and we will be able to open those screen latest by March 31, 2022.

**Ankur Periwal:** My actual question was more on the long term. The near term one you did highlight in the initial remarks itself, but post FY2022 or may be FY2023 onwards the 900 screens that we have a plan any timelines here, are we looking 60, 70 screens per annum or probably the run rate will be higher?

**Alok Tandon:** 70 to 90 screens which we have also said earlier every year going forward so that is what will be endeavor to do.

- Ankur Periwal:** That is helpful. Thank you and all the best.
- Moderator:** We have the next question from the line of Arun Prasad from Spark Capital. Please go ahead.
- Arun Prasad:** Thank you for the opportunity. In the last earning call you gave us update on the single screen closures. Do you have any updates with that with reasons around, do you have any updates on how many single screen are permanently closed or yet to come back as a follow up to that question can you also throw some light on what strategy you have to benefit from this single screen closure especially in those cities and towns where you are already present. Where you are not present it is more like a long term planing but at least in those places where you are present, how you intent to benefit from this?
- Alok Tandon:** We really do not have Arun that number of single screens that have shut down but in our last call we said about 5% to 7% of single screens will be shutting down, but there is no official confirmation on this, so we really are in the dark. We primarily are a multiplex company and yes we only have three single screens with us and that is out of 658 screens bouquet we have, so going forward also our endeavor is to have only multiplexes. When we spoke about our pipeline of cinemas we have only multiplexes in that and no single screens. See because single screens do not give you the opportunity of programming. It is very inefficient to program movies. If a movie bombs then you are struck with that particular content for the next seven days though when it is multiplex you have other movies to fall back upon, so there is no programming and their issues with the content if it is not do well, so we as a company will only look at multiplexes and not single screens.
- Arun Prasad:** Sir my question is more on how do you intent to increase the footfalls in the vicinity in the same catchment area where your multiplexes are already present. I understand that you will not be going into the single screen but since the footfall, the people those are in the catchment area since the single screen is closed, how do you intent to bring them to your multiplex, do you have any strategy in place to increase occupancy of those multiplexes in those catchment area where the single screens is closed or is it more like an organic whoever comes let him come?
- Alok Tandon:** Arun, I am pretty clear and I have said always, it all depends on the pricing strategy. I have just enumerated what our pricing strategy is for any complex we operate in and I repeat that there is a cost structure of property, the paying propensity of the people and the newness of the film, so if a single screen is shutting down there will be people who are frequenting the single screens, they would be our guests and as per the pricing strategy, we could have and we all know that there is low ticket prices during the day, during the day of the week, it is high during weekends, so it is possible that the single screen visitor or viewer comes to our

cinema during early mornings or during evening shows on weekdays when the pricing is lower than the weekends. When you talk about a strategy there is no definite strategy on how to pull in people but yes we always say that INOX screen have been aspirational and people come and they like to visit our cinema halls, so having said this, a movie viewer if a single screen has shut down he will surely visit INOX property and we are there to give him a great experience in our cinema halls.

**Arun Prasad:** My second question is on the ad revenues. While it is reasonable to peg it to the footfall do you read anything from on ground situation to say that yields would be any different from the pre-COVID level because I am coming from the inflationary pressure whether it is good or bad for the yields from the multiplexes perspective whether on a per screen it is going to be better or is it going to reduce the volume that you can sell, some light on this account will be much appreciated.

**Alok Tandon:** Too early to say Arun anything on the pricing strategy or the pricing of ad, but we are getting some traction in the month of October as we speak because there has been some good movies and there is lot of inquiries for the big marquee movies for November and December, so again I say that this is just a blip and going forward things will be back to normal, whether the effective rate will be lower or higher than pre-COVID days that I think we will have to wait and watch but people have started enquiring. Our sales teams are back in the market and I will say there is lot of optimism and lot of buzz about ads in cinema halls.

**Arun Prasad:** Specifically with inflation yields should be going up?

**Alok Tandon:** Arun our first job is to get in the advertisers who have not advertised for the last 18 month, so I think I will be able to answer this question more better in the next earnings call we have.

**Arun Prasad:** Alright Sir. Fair enough. Thank you for the opportunity.

**Moderator:** Thank you. We have the next question from the line of Urmil Shah from Haitong Securities. Please go ahead.

**Urmil Shah:** Thank you Sir for the opportunity. My first question was on the non-movie content and this is more strategic. What are the strategies we are having different than what it was earlier for say likes of cricket or non-movie content which other areas where we are doing things differently than we would have done pre-COVID?

**Alok Tandon:** Urmil the first thing is going out and getting block bookings, Number two what we are doing is that we are curating menu especially for that particular group which comes in. We are offering them movies of their choice. Not that we are not doing earlier, but after COVID I think that we have doubled down on these activities we are also looking at any other way where we have people coming into theaters be it a music conference or be it kind of standup comedy show something or the other. So earlier we were doing it but now after COVID there is a special team which has been made just to ensure that we have alternate content in our cinema halls at regular intervals including the matches which we just spoke about.

**Urmil Shah:** A question related to that, we have Nissan as the anchor partner for T20 matches would this be a good chance to look at how we can revive the advertisement relatively better as compared to relying just on the movie content?

**Alok Tandon:** Absolutely right Urmil, so this is the thought behind it that we partner with Nissan for the T20 World Cup and this is just the beginning. We have other corporations we are in touch with for various other activities and this will be a new way of revenue generation.

**Urmil Shah:** Sir my last question is on our strategy on the non-cinema attendees, more from a longer term point of view what is the kind of capital deployment we are looking at and let us say example of the partnership with ITC. If you could throw more light to bit of extend if possible what is the kind of partnership that we have and would this be looked at a separate SBU or how we would structuring that business within INOX?

**Alok Tandon:** Well, having talked about ITC, I think it is a part of food revenue but yes a new income which is there, so there is no major capital deployment or anything which we are doing so that we are very cognizant of. We will not spend money for any partnership, it has to be win-win for both the parties and I cannot do much on this as of now, Urmil but I can just say that we are quite happy and excited for the ITC tie up. We are quite happy about the Nissan tie up and as I said earlier we are looking to other partners and add other partners in advanced discussion for other non-cinema related activities.

**Urmil Shah:** Thank you and all the best for the upcoming season.

**Moderator:** Thank you. We have the next question from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

**Sanjesh Jain:** Good afternoon and thanks for taking my question. First on the other opportunities we have been so excited about cricket and other events, gaming included for next four to five years what could be the potential contribution which we may look at from a non-movie, non-F&B

kind of revenue which can come to us that is number one. Is there any global example who has tried to do something like this and have been successful?

**Alok Tandon:**

Too early to talk about numbers. First we have to ensure that we do, we do right and whether it is any non-cinema activity, we have to ensure that there is proper sell for that, we have proper marketing strategy, so we are trying out different things. It is too early for me to comment on what the percentage of the topline would be by these non-cinema activities but the endeavor is to grow it as much as possible. Number two, I do not think there is a global parallel because we in India do a lot of things. We are innovative and let us say whatever we have done till now whether to have plays in our theaters, whether to have dramas, whether to have AGMs, whether to have school meeting, we have also done school meetings in our properties, workshops by various agencies where they come and train their team members, so this is something which is unique to India. There is no comparison of this in another parts of the world, but this is something we will keep on doubling down on and ensuring that the revenue and the pie keeps on getting bigger every year.

**Sanjesh Jain:**

Do we have any study coming what could be the potential market and is this really a scalable business, AGMs, meetings, school meetings, cricket, sports, I can understand but it will be a seasonal thing and it will be a restricted timing kind of thing, but is other opportunity really a scalable proposition?

**Alok Tandon:**

Yes absolutely Sanjesh. We have seen that over a period of time and I have said that, it is not that we have started all this after COVID, we started this prior to COVID also and we are seeing by our marketing team that we have got bookings, by word of mouth people have come to us and we have seen revenue increasing year-on-year for these things which is just talked about and looking at one school there was other school which came. Looking at one act play which we did in on of our cinemas there were other theater chains, who approached us because what is happening you are getting stadium like seating in a confined atmosphere, you get food over there, you get ambience over there, if you want to walk out you can come into the lobby and just stand, so people are getting what they want and this is something which we find very exciting and I have seen personally that our numbers have gone up in the last I would say two to two and half years and especially after the first lockdown we have had lots of enquiry for non-cinema events.

**Sanjesh Jain:**

Got it. On the occupancy side though you tried to answer a little bit do we expect this programming being quite tight for the next two quarters and there will be series of releases and that should lead to much better occupancy at least in the near term for us in terms of the shows despite having a sitting restriction is that fairly possible?

- Alok Tandon:** Yes absolutely movies like Annaatthe, Enemy, Sooryavanshi, Eternals the list is endless. I think that numbers will increase and we should be rocking all cinema operators very soon. It is a matter of time before people start flocking to us and I said in my opening statement if we have to go by the numbers in Maharashtra today and today was the first day when we opened, they are very encouraging. When I look at numbers down south for new content, the numbers are extremely encouraging. So people are tired of sitting at home. They want to breathe differently. They want to come out and enjoy and no better way than enjoying and watching a movie with your family and friends. This I am very hopeful that in the next couple of months we will be absolutely back to normal, Sanjesh as we were in pre-COVID.
- Sanjesh Jain:** Fair Sir. Thanks for taking my question and best of luck for coming quarter.
- Moderator:** We have the next question from the line of Kapil Jagasia from Edelweiss Financial Services please go ahead.
- Kapil Jagasia:** Thank you for this opportunity. I have two set of questions. Firstly, after this long time lot of movie patrons would be looking to book their movie tickets on apps like BookMyShow, so any change in revenue sharing with them?
- Alok Tandon:** Nothing at all Kapil.
- Kapil Jagasia:** That remains the same.
- Alok Tandon:** Yes.
- Kapil Jagasia:** The next question would be now like how do you plan to bring back the audiences back to theaters like after such a long gap of one-and-half years like to achieve your occupancy back to 28% levels, so any more loyalty would be there or any other innovative strategy?
- Alok Tandon:** As I said content is very important and we have seen that wherever the content has been nice people have come to cinema halls. If I can go back to January of this year when the film Master released we had amazing footfalls. Every alternate seat was occupied which meant it was a houseful show on the capacity which have allowed for us to operate. We had to win back the confidence of our guests which I am sure Kapil that we have been able to do. They know that when they come to INOX they are entering a neat and clean environment. We are following all safety protocols, whether issued by the central government or the state governments, so that is something which we are doing. We are getting people back by our food offering, by having block booking, by ensuring that the loyalty programme which we have and just to tell you that we are the only chain to have a three tier loyalty programme, we are talking to them even during lockdown Kapil we kept

on engaging with our guests whether it was through Instagram or Facebook or Twitter handle whatever it was we were very, very transparent as a company and kept on telling them the actual situation on ground. Our main endeavor is to bring back the customer which fortunately for us they are coming back and whatever we have seen in the last couple of weeks we have had some great footfalls. Continue we double down and we continue and we keep on pressing the pedal hard where all safety and hygiene protocols are concerned. So I would say that is the main thing which I am emphasizing on today and if we do that we will be back to normal very soon.

**Kapil Jagasia:** That was really helpful. Just last question if I may. Regarding the tall order of opening 900 screens post FY2022 would you are also be opening screens outside like our competitors?

**Alok Tandon:** No. As of now we are only concentrating on India, Kapil because India is very, very underpenetrated and India is underpenetrated, we have only as we always say about six to seven screens for million population and an ample scope in India itself.

**Kapil Jagasia:** Thank you for answering my questions. Thank you so much.

**Moderator:** Ladies and gentlemen due to time constraints that was the last time. I would like to hand the floor back to the management for closing comments. Please go ahead Sir.

**Alok Tandon:** I would like to thank all of you who took time and interest in our company. Thank you very much and wish you very, very happy festive season, a great Diwali and a great Christmas.

**Moderator:** Thank you members of the management. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.