"INOX Leisure Limited
Q1 FY2020 Earnings Conference Call"

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Moderator: Ladies and gentlemen, welcome to the INOX Leisure Q1 2020 earnings conference call hosted by IDBI Capital Markets. 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. Urmil Shah from IDBI Capital Markets. Thank you and over to you Sir!

Urmil Shah: Thanks, Stanford. Good evening, everyone. On behalf of IDBI Capital, I welcome you all to INOX Leisure Limited's post earnings con call for the quarter ended June 2019.

On the call, from the company, we have the senior management, led by Mr. Deepak Asher - Director and Group Head, Corporate Finance of INOX Group of Companies, Mr Alok Tandon - CEO, INOX Leisure; and Mr. Kailash B Gupta, our CFO, INOX Leisure.

Without further ado, I will pass on the call to Mr Alok. Over to you, Sir!

Alok Tandon: Thank you Urmil and good evening everybody. On behalf of the board and the management of INOX Leisure Limited, it gives me great pleasure to welcome you all. I would like to thank you for the time and the interest that you have shown in tracking the performance of the Company.

The meeting of the Board of Directors concluded about a couple of hours ago, wherein, apart from other things, the board approved the quarterly financial results for the quarter ended June 2019 or what we would otherwise call Q1 FY20. These results have been uploaded on the website of INOX Leisure Limited.

These results have also been submitted to both the Bombay and the National Stock Exchanges for uploading on their respective websites. I trust you had the opportunity of taking a look at them.

We have, in addition to the financial results in the statuary format, also uploaded what we call a quarterly earnings presentation. We will take you through some of the key features of the earnings, both financial as well as operating parameters for the quarter, and then we will open this for any further questions you may have.

Just to brief you on some of our achievements. INOX have had the highest EBITDA-to-capital invested ratio in the industry of 22% for trailing 12 months. In Q1 FY 20, INOX had

the highest year-on-year footfalls growth of 11% in the industry. INOX also have had the highest PAT margin of 8% for Q1 FY 20 in the industry.

I am also pleased to inform you that we, for the ninth consecutive quarter, have the highest ad revenue growth rate in the industry. To add to it, INOX is the first national chain in the industry to be totally net debt-free.

With the adoption of the new Accounting Standard Ind AS 116, all operating leases are treated similar to a finance lease, and hence, the profit and loss account is charged with the interest and depreciation instead of rent. To understand the actual movement in the operational numbers, we have given a detailed reconciliation of important parameters in Slide #7 of our earnings presentation.

Brand INOX has been offering exciting experiences to its consumers like never before, with unique content partnerships with ICC for live streaming of cricket matches, extraordinary brand alliances with the Indian National Rally Championship, IPL team for Rajasthan Royals, RP-SG Mavericks for ultimate table tennis and with the NBA. Such, initiatives not only add a new dimension to our patron engagement but also offers huge enrichment opportunities to Brand INOX.

Now coming to the financial numbers, we are doing a Y-on-Y comparison with Q1 FY20 being compared to Q1 FY19. We will discuss the operational performance, which excludes the impact of Ind AS 116 as the same has no impact on cash flows.

Revenue from operations went up by 19% from Rs. 415 Crores in Q1 FY19 to Rs.493 Crores in Q1 FY 20. EBITDA increased by 6% from Rs.83 Crores in Q1 FY19 to Rs. 89 Crores in Q1 FY 20. EBITDA margin has declined from 20% to 18% in this quarter.

PAT improved from Rs.37 Crores in Q1 FY19 to Rs. 41 Crores in this quarter. That is an increase of 11%. However, PAT margin decreased marginally from 9% to 8% in Q1 FY 20.

Now if you look at the breakup of revenues, as we all know, our revenues comprise of four key streams: net box office, net food and beverage, advertisement and other operating revenues. So for the quarter, the net box office figures went up from Rs. 242 Crores to Rs. 287 Crores in Q1 FY 20. That is a growth of 19%. Food and beverage went up from Rs. 111 Crores in Q1 FY19 to Rs. 132 Crores in Q1 FY 20. That is also a growth of 19%.

Advertising income went up from Rs. 40 Crores to Rs. 47 Crores in this quarter, which is a growth of 18%. Other operating revenues went up from Rs. 22 Crores to Rs. 26 Crores in this quarter, which is a growth of 22%. As a result of which, total revenues went up from

Rs. 415 Crores in Q1 FY19 to Rs. 493 Crores in Q1 FY 20. In Q1 FY 20, the net box office revenues now contribute 58.2% of our total revenues; F&B contributes 26.9%; advertising, 9.5%; and other operating revenues, 5.3% of our total revenues.

Now this performance was largely on the back of some significant releases that happened in the last quarter. These included Avengers Endgame, which we all know created history, we had footfalls of 30.91 lakhs and a GBOC, which is the gross box office collection, of Rs. 80.27 Crores; Kabir Singh at footfalls of 19.98 lakhs and a GBOC of Rs. 33.61 Crores; Bharat did footfalls of 14.83 lakhs and had a GBOC of Rs. 31.65 Crores; De De Pyaar De, 10.91 lakhs of footfalls, with Rs. 19.71 Crores as GBOC collection; and Aladdin, did 6.99 lakhs footfalls and a GBOC of Rs. 14.9 Crores.

The top 5 films for the quarter, therefore, accounted for about 83.63 lakhs of footfalls, that is 48% of the quarterly footfalls; and GBOC of Rs. 180.14 Crores, which is 53% of the quarterly GBOC. If I compare it to last year Q1 FY19, the top 5 films did 43% of footfalls and 46% of GBOC.

So those were the top five movies of Q1 FY20. And now, we will discuss some of the operational parameters behind these financial numbers.

Overall footfalls improved from 156.2 lakhs in Q1 FY19 to 173.2 lakhs in this quarter, which is an increase of 11%. Occupancies also improved from about 29% in Q1 FY19 to 30% in Q1 FY20. On comparable properties basis, which in the retail trade is also known as same-store basis, footfalls for the quarter reduced from 154.8 lakhs in Q1 FY19 to 146.7 lakhs in Q1 FY20, which is a decline of about 5%. Occupancies remained stable at 29% on the same-store basis.

Overall average ticket price has reduced by Rs.1, from Rs. 199 in Q1 FY19 to Rs. 198 in this quarter. That is about a 0.4% decline. For comparable properties, the average ticket price went down from Rs. 198 in Q1 FY19 to Rs. 197 in Q1 FY20, which is a decline of 1% for the quarter.

The second component of our revenues is food and beverage. There we have seen the spend per head going up by 6%, from Rs. 76 in Q1 FY19 to Rs. 81 in Q1 FY20 for the quarter. For comparable properties, the SPH went up by 5% that is from Rs. 76 in Q1 FY19 to Rs. 79 in Q1 FY20. The net F&B contribution has fallen marginally from 75.6% to 74.9% in Q1 FY20.

I am happy to say that we have continued to and maintained the momentum of growth in advertising income that increased in the quarter from Rs. 40 Crores to Rs. 47 Crores in Q1

FY20, which is a growth of 18%. So other income also increased from Rs. 22 Crores in Q1 FY19 to Rs. 26 Crores, that is a growth of 22%.

Those were the key revenue components. If I come to the cost side, the film distributor share went down from 44.2% in Q1 FY19 to 43.9% in Q1 FY20. As far as other overheads per operating screen are concerned, these went up from 42.6 lakhs per quarter per screen in Q1 FY19 to about 44 lakhs per quarter per screen in Q1 FY20. That is an increase of about 3.3%.

Well, those are the key highlights of our financial numbers. In terms of new properties opened, we have opened during this quarter 4 properties, with 21 screens and 4,226 seats. These include: 4 screens and 803 seats in Lucknow Garden Galleria; 5 screens with 976 seats in Vadodara Taksh NH8; 4 screens, 756 seats in Bengaluru Yelahanka; and in Hyderabad GSM, we have opened 8 screens with 1,691 seats. Hence, we have opened 4 properties, 21 screens and 4226 screens this quarter.

As a result of this, we are now operational in 19 states, 67 cities, with 143 properties, 595 screens and 139,797 seats. Very soon, we will be a multiplex chain with 600-plus screens across India. We expect another 14 properties and 59 screens with 10288 seats to be opened during the remaining part of this financial year. As a result of which, by the end of FY '20, our total properties operational are expected to be about 157, with 654 screens and 150085 seats.

Beyond this, we have a very strong visibility of pipeline based on agreements already signed. We have properties tied up to the extent of about 877 screens, 129 properties and 161,427 seats. And once this pipeline is fully implemented, we will be about 286 properties, 1,531 screens and about 311,512 seats strong. So that is as far as the properties pipeline is concerned.

We are also very bullish about the coming slate of movies in this financial year. Today, Hobbs & Shaw has opened to great reviews. In this month, for examplewe also expect blockbusters like Mission Mangal, which is to be released on August 15, 2019, which has Akshay Kumar, Vidya Balan and Taapsee Pannu starring in it. On the same day, we also have Batla House, which is a John Abraham starrer.

We have, on 30th August, Prabhas starrer, Saaho. And on 6th of September, we have Chhichhore, starring Sushant Singh Rajput and Shraddha Kapoor. We have War, starring Hrithik Roshan and Tiger Shroff, on 2nd of October. On 25th, we have Housefull 4, starring Akshay Kumar, Riteish Deshmukh and Abhishek Bachchan. In November, we expect Pagalpatni to be released on 8th of November, which is a John Abaraham and Ileana D'Cruz

starrer. So pretty strong content pipeline, we can see and, as I earlier said, that we are quite bullish about the entire slate of movies.

In terms of shareholding structure, FIIs now own about 12.63% of the company and DIIs own about 19.19%. We have treasury shares of 4.23% and public and others own 12.06%. The promoter stake in the company is at 51.89%. The share price as of July 31, 2019 was Rs. 294.3, which gave the company a market cap of roughly Rs. 3,027 Crores.

So that, ladies and gentlemen, is a brief snapshot of our financial and operating performance. I would now like to open this up for any questions that you might have. Thank you.

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 Karan Taurani from Elara Capital. Please go ahead.

Karan Taurani: Thanks for taking my question. I would just want to know, in terms of the outlook for advertising growth, so last, I think, in FY2019, we saw a strong growth of about 25%. And this time, it has come out about 18-odd percent. So is this pertaining to a onetime negative impact because of Avengers? Or probably this is the normal growth rate we will see from here and going ahead?

Alok Tandon: Well, let me tell you, 18% is also a great growth and we are quite happy with this because we knew that Q1 was the month where we had the ICC, World Cup, we had the general elections so all those things were there. Our numbers will keep on growing and as I always say, we have more feet on the street. So 18% is a good growth, which we have shown. And in the coming quarters also, we will be pressing the pedal hard to ensure that our advertising momentum is there, where we want it to be.

Karan Taurani: Okay. My second question would be regarding the footfall growth, despite Avengers being a big success, despite the movie called Kabir Singh being there, Bharat being on par in line with expectations, largely, De De Pyaar De was a big success. Your SAG footfall declined with this quarter by about 5%-odd. So what is the outlook from here and going around the pipeline?

Alok Tandon: Well, again, we all know that the footfalls are totally dependent on the quality of content. And we showed a 11% growth, overall, though comparable properties that fell by 5%. But one should also be cognizant of the fact that the top 5 movies contributed 53% of the GBOC compared to the previous quarter, which was 46% of the GBOC. Hence, we got maximum revenues from these 5 movies compared to other movies, which normally keep

the scoreboard ticking for everyone. And that is the reason why our comparable properties footfall went down. But overall, it increased by 11%. So basically, apart from the top five or six movies, the other movies did not do well, and there were less footfalls for those particular movies.

Karan Taurani: So I just wanted to check, I do not know if the data is available in terms of Hollywood movie. Have you kind of gained market share versus the competitors?

Alok Tandon: Well, this is very cyclical. It depends on which quarter a Hollywood movie comes. For example, in this quarter, we had Avengers: Endgame, which did exceedingly well and was the highest grosser where INOX is concerned. And similarly, in Q1 last year, we had Avengers: Infinity War, which again was the highest grosser where INOX was concerned for that particular quarter. So the contribution of Hollywood movies to this total pie depends on which movie is there and which quarter we are talking about.

Karan Taurani: Right. Just one last thing on the spend per head, you know, again, that is looking slightly muted, about 6% any outlook or traction on that you can guide for?

Alok Tandon: Well, 6% is a margin, which I, again, feel is not bad. We are trying different ways, different permutation, combinations to increase our spend per head, whether it is having more point-of-sale or having more variety of food to be offered to our guests. We have shown an increase in footfalls. We have shown an increase of spend per head and hence, our entire revenue from F&B has shown an increase of 19%. So that, again as far as spend per head is concerned, it is a combination of various factors. And again, as I said for advertising, this is one area where our focus is there and we are trying new things every quarter so that we get more spend per head where F&B is concerned.

Karan Taurani: Well. Thank you that is it from my side.

Moderator: Thank you. The next question is from the line of Darpan Thakkar from HSBC. Please go ahead.

Darpan Thakkar: Hi, thanks for taking my question. What are your same-store revenue growth and if you can break it down in net box office advertisement and food and beverage. And second question is on this Ind AS 116. In Ind AS 116 reporting, there is still some rental cost in your P&L. So what is that? Because my understanding, and even in your competitor reported, in P&L, there is no rental income now and it goes into depreciation and interest, so if you can clarify that?

Kailash B Gupta: Okay. Darpan, this is Kailash here. Ind AS 116, basically defines that all the leases, which is more than one year have to be accounted or treated as finance lease The moment you say it is a finance lease, we have to account for the depreciation of the assets. Suppose we are having a lease for 20-years or 18 years, you have to account for the same as asset in your books of accounts and depreciation has to provide as against the rental which you pay as a liability in your books of accounts.Hence for the assets, you have to provide depreciation on a straight-line method. For a liability side, you have to provide interest in your books of accounts considering the same as loan. So no longer we will be considering these leases as operating lease and the rental expenses, which we are paying, but that will be accounted as depreciation and the interest for the period of life of lease.

Alok Tandon: And Darpan, answering a question about comparable properties. I want to...

Darpan Thakkar: Just on the rental income, so my question was that there is Rs. 30 Crores of rental costs still in your P&L in the new Ind AS so what is that amount? That was my question.

Alok Tandon: So if you can see, okay before Kailash pulls out the data, let me just tell you, let me answer the question about the comparable properties, ATP and SPH. Well, that is given on Slides 12 and 13. So where comparable properties are concerned, Darpan, our footfalls went down by 5%, which I just said in my presentation and occupancies remained more or less the same at 29% whereas, where SPH is concerned, we have shown an increase of 5% to Rs.79 from Rs.76 the previous quarter.

Kailash B Gupta: And just to clarify, Darpan, the rent component, which is showing, as of now, is basically the CAM charges, which is called the common maintenance charges and the revenue share part because that revenue share part, over and above MG is accounted as rent and would continue the way it was earlier.

Darpan Thakkar: Okay. And the same properties, what is advertisement growth?

Alok Tandon: Well, normally, we do not track that, Darpan, because what we have are national contracts for the entire country and tracking the advertising growth of like-to-like properties becomes very difficult. Because when we get an RO we get it for the larger number of screens, which was about 12 months. And hence, we always monitor the advertising income for the entire company rather than comparable screens.

Darpan Thakkar: Okay.

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

P Barsagade: Hi Sir. Thanks for the opportunity and congratulations for the great numbers. My first question is on the SPH. Sir we have seen that SPH has improved considerably over the few past quarters but we are also seeing the there are industry reports a three digit SPH. So how is the roadmap to bridge the gap?

Alok Tandon: See, again, what we are looking at SPH from our side is, yes, we have shown a growth quarter-on-quarter. And I said earlier, , when one of your colleagues asked the question, I said that this is something which we are focused on. We are pressing the pedal hard, and we are ensuring that we get more spend per head every quarter, whether it is by having more point-of-sales, whether it is by having a different sales mix, whether it is by having new menus in our concessions stand and Insignia screens. So the effort is there to ensure that we show a great growth where SPH is concerned.

P Barsagade: Okay. Sir, was there a price hike this quarter because we have seen improvement in SPH and even in the F&B gross margin?

Alok Tandon: Well, yes. Price hike is very dependent on the type of movie which we have so there were some weeks where we increased the prices there were some places where we did not. So the SPH increase, which you see is a mix of more people coming and buying food, as well as the food prices increasing in some places and remaining constant in some other.

P Barsagade: Okay. And Sir, my second question is that recently there was an announcement of minimum wage hike in Maharashtra, so do you expect any kind of impact from this and also, do you see the risk of this the other states also taking this up?

Alok Tandon: So this happens every year. So minimum wages are increased in states, there are some states which increases every six months there are some states which increase it every year. So this was a thing which we already take in our assumption when you make a budget. And we have to follow the law of the land and hence, whether it is an increase in Maharashtra or any other states, we already provide for it and ensure that people get whatever is announced by the government. So this is something which is not new to us, it happens every quarter it happens every year.

P Barsagade: Okay. And Sir, just if I could squeeze in a quick one, can you just share how the response for the ScreenX and your confidence on the content pipeline for the next two months?

Alok Tandon: Well, the confidence on the pipeline, I already said that we are quite bullish about this entire financial year, if you think about Q2, because we have some great movies coming out, starting from Hobbs & Shaw today, which is getting some great reviews. Where ScreenX is concerned, see, we also, as a company, always look at new technology. We want to see that

how do we give something new to our guests. So whether it is ScreenX or whether it is signing with MX4D, whether having IMAX screens across our country, whether we have LASERPLEX, because you would remember that we were the first people to start with laser projection, we always ensure that our guests get something new when it comes to an INOX property.

And just answering your question directly, ScreenX is getting some great reviews, and we have good footfalls for it.

P Barsagade: Okay Sir, that is all from my side. Thank you.

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

Girish Pai: Thanks for the opportunity. I have a few questions regarding your operating cost per screen, so your property rent and conducting fee has increased 0.5% on a year-on-year basis. It looks a little low to me because I remember you people saying that on a 3-year basis, it is like 12% to 15% increase that you see on rental so why is this number just so low, 0.5%?

Alok Tandon: Well, it depends on which quarter the escalation kicks in. There are some quarters where there are more escalations which kick in there are some quarters where there are not. So it all depends on the escalation matrix of various properties.

Girish Pai: Okay. The other question I had was regarding your screen openings beyond FY 21, what are you seeing in the mall operator community regarding there is an economic slowdown, there is a funding crunch that is happening there do you see any issues with some of the malls in terms of their opening in second half of FY20 or FY 21 and is there any kind of agreement that you signed with them, whether there is a penalty that you can levy on them if they do not deliver your property on time?

Alok Tandon: Well, we have always signed with reputed developers and these are people who have got a great track record of delivering on time, yes, maybe a delay of 2 to4 months but not beyond that. So I do not foresee any properties not coming to us beyond 2021. In fact, we know that there are a few properties which have already started construction, and these are large properties so that they are given to us for fit-outs by 2020 so that we are operational in 2021. So that fear is not there and as I earlier said that, our developers have always given to us or delivered on time and I do not see any concern in this.

Girish Pai: Is there any penalty that can be levied if the property is not delivered, on time that is?

Alok Tandon: It happens on property to property so I will not be able to talk about it much. But yes, there are some properties where we were in a different contract than the others. So it is all very property specific.

Girish Pai: Okay. Lastly, this on-going economic slowdown, how is that impacting you as a company both from a customer behavior perspective, the patron who walks into your theaters, and secondly, from your corporate customers on the advertising side, has their behavior changed a bit in the last few months?

Alok Tandon: Well, we always say what affects us is only the quality of content. If the quality of content is good, we have people coming in, streaming in and if the quality of content is not good, yes, we all know that people will not come in. So the slowdown, whatever is it, whether it is affecting the country, what is guiding us and getting in footfalls is the story with the director, the way he tells it, whether the people like it or not and that is important to us rather than anything else.

Girish Pai: And the corporate customers in terms of ad spending?

Alok Tandon: Yes. Ad revenue was slightly less, though, we are happy with the 18% growth, this is because of the national elections and the ICC World Cup in Q1FY20. But again, whatever we have seen till now nobody has pulled back their advertising campaigns because of any reason given by you.

Girish Pai: Thank you.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial. Please go ahead.

Amish Kanani: One question is about EBITDA margin growth, which has dipped without considering the Ind AS 116. So if you can just explain, what are the factors, and it seems maybe employee costs was more slightly higher than normally but if you can just explain why the EBITDA margins are dipped?

Alok Tandon: Well, EBITDA margin has not dipped a lot, it gone down from 20% to 18% and these things are very fluctuating. It happens and depends on the quarter how the movies have performed, whether it is summer, how electricity bill is, how much you spend over there it depends on the paying propensity of the people who come for those particular movies I am not talking about all movies. Yes, we have given an increment in the first quarter so that has taken a little bit of effect of the reduction in EBITDA margin. So EBITDA margin 20% coming down to 18% is not a cause of worry and the thing it is cyclical it keeps on going

up, it keeps on going down. But all the cost parameters are in control, and we as a company always monitor it and monitor it with a fine-tooth comb.

Amish Kanani: Yes, Sir, but this the top line growth of 19%, if we consider that in an operating leverage kicking in, ideally, there should be a jump and considering our business being fixed-cost-driven, ideally, one would have expected that. So that was the reason why I had asked maybe you are saying it is a quarterly phenomena and will even out. So the question was, are there any structural costs drivers which are impacting our margins and should we worry about the overall annual margins for the year in that context, Sir?

Alok Tandon: No, not at all.

Amish Kanani: Okay. And Sir, second question is about this the impact of lease, we see that the lease liability will be reflected at Rs. 2192 Crores and that vis-à-vis our networth a little bit higher so just we wanted to understand, how should we look at that and in that context, if you can just explain us the interest cost that we have put in Rs. 51 Crores how should we really look at it because what happens is, if you put interest and depreciation together so that number is much more than the reduction in rental. So that is why net-net there PBT impact of Rs.22 Crores so can you just explain this interest cost how is it working out and how should we look at it on a one year basis as well as on the entire lease payment basis?

Kailash B Gupta: Just to answer your question, the entire lease period which we have signed up with all these property developers, it is a summation of all that and which we have, of course, NPV has been done and based on that, we have recognized the liability. Now the entire asset part, I will tell you the difference, suppose you are paying rent in the year one as Rs.100 and you are paying, Rs.250 rental at the end of the maybe 20th year. So this Ind AS requires you to equalize the rental, actually. So in the first ten years, you will have a higher impact on your P&L, and the next 10 years, it will be a lower impact. And this is how the accounting standard treatment has been suggested by the Standard and the second part is that this is all theoretical. If you see, while it has an impact on your PBT and PAT etc, there is no cash outflow impact at all. It is more of a book entry rather than the business impact..

Amish Kanani: Okay. So Sir, the point is, wherever that interest cost that we are taking, which is incremental cost, will it change every quarter or every year, and hence, these numbers will move in that context?

Kailash B Gupta: Not much, of course and whenever, we will add a new property, it will move to some extent, but not to a great extent. I think based on the current scenario, you can do a run rate, and going forward the same run rate will continue.

Amish Kanani: Okay thanks.

Moderator: Thank you. The next question is from the line of Abhishek Joshi from CGSCIMB. Please go ahead.

Abhishek Joshi: Sir, my question is, how many screens are premium screens as a percentage of total screens right now and by the year-end, what would be your target?

Alok Tandon: Well, if I remember right, we have about 45 to 50 screens which we call premium out of the 595 which we have and going forward, yes, so we should be having another about 15 to 20 premium screens in our kitty.

Abhishek Joshi: And Sir, are we considering premiumization of the existing screens also and if we are considering it, what would be the average cost of premiumizing these screens?

Alok Tandon: Well, yes, we are also looking at premiumizing some of our existing screens. Well, it all depends on where we are, what is the paying propensity so it is very difficult to talk about how much we will spend in a particular property neither I would like to talk about it because spending in Mumbai is totally different than spending in some other place. But I would like to say that, yes, they are obviously more expensive, as we all know, compared to investments in a regular screen.

Abhishek Joshi: Sir, like, can you throw any light on how much yearly expenses may increase if we incur such expenses on premiumization of the existing screens per your?

Alok Tandon: Well, again, I would not like to only talk about the amount of spending we do for enhancing the experience of a guest, in a premium screen by putting in or having recliner seats or good carpets. But I would just like to say a ballpark figure is something which we spent about Rs. 2.75 Crores to Rs. 3 Crores per screen on an average. And when I look at our entire kitty, entire expense, which we have done for the financial year, it falls in that bracket. So it means that there are some properties where we spend more, and there are others where we spend less.

Abhishek Joshi: Thank you Sir. That is all.

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

Jinesh Doshi: Thanks for the opportunity. Now in FY19, we added about 85 screens, which is a fairly robust number and again, in 1Q FY20, we have added about 20-odd screens and have these

70 to 80 screens, still, for the full year so what exactly has changed in the last one year to year and a half which has led to a kind of improvement in the turnaround time when it comes to execution in getting approvals?

Alok Tandon: Well, if you remember what I said in the last investor call was that today, we have a lot of focus where we have on our execution. Our entire look, feel of the property is absolutely ready before we even enter the property to take it for fit outs. Whether the design, whether it is the amenity, whether it is the other areas, our ordering is in place. So hence, we have tried to streamline a lot of things in our projects department and that is bearing us good numbers.

So last year, we opened 85 this year, planning to open 80. It is also that the supply of properties has increased. So today, we have signed, as you all know, apart from what we will open in FY20, another 877 screens. So we are getting properties at a good pace, our execution time lines have decreased so we are opening now more screens in a shorter period of time and this, we feel, and I feel personally, will continue happening in future also.

Jinesh Doshi: Okay. There had been manpower in the project in the license team in the last year - year and a half?

Alok Tandon: Sorry, could you please repeat your question?

Jinesh Doshi: Have we added any manpower in the project team or the license team in the last one year?

Alok Tandon: Yes, as the properties increase, we have to increase our project team and it is like any other department, that when you start growing, you have to have more people in the particular department. And similarly, we have added a few more people in our projects department.

Jinesh Doshi: Okay and secondly, I guess, we had entered into an agreement with the ICC to showcase matches in multiplexes. In the response to it, has it actually helped us in driving, Sir, the occupancy and also, how is the ATP different here as compared to movie screening?

Alok Tandon: Well yes, occupancies have increased. We have seen a lot of people coming and buying tickets for the ICC matches. There have been lots of corporate bookings also. And answering the question with ATP, it depends on where we are. ICC tournament was a 9-hour match, and which means it took 3 to 3.5 shows of a regular movie, and we were pricing our tickets accordingly. But more importantly, rather than the P&L, I would say that such initiatives not only add a new dimension to our patron engagement, but they also offer huge enrichment opportunities to brand INOX, and that is important. That our brand is enriched, people like to associate with us and there, we have talked about that, apart from

showing movies, we also do sports, we also do other activities and we engage more with our customers by doing such events.

Jinesh Doshi: Okay. Sir, last question. Now one of your peers is also into the movie distribution business so do we have any plans as of now and what are your thoughts on the distribution business as such?

Alok Tandon: Well, as of now, we are an exhibition company, and I always say there that we are an exhibition company, and as of today, we will continue to stick to what our core competency is. Our core competency is to show movies, and that is something which we will concentrate on.

Jinesh Doshi: Thanks a lot.

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

Ashish Kumar: Congratulations for a good set of numbers. I just wanted to check with you on the advertisement revenues on a per screen basis so if you look on a Y-o-Y basis, our advertisement revenues per screen is flat despite the fact that we had an Avengers and everything else in this quarter. Just wanted to understand, what do you think is the trajectory going forward, do we think that we have maxed out on that line item on a per screen basis or do we think that there is a potential to grow that at high single digits to low double digits?

Alok Tandon: When I answered one question by saying that the investment was less primarily because of the general elections and the ICC World Cup. So we have not flattened out on revenues per screen where pricing is concerned. Our endeavor is to increase that. We feel that there is still lot of headroom and we are all working towards it.

Ashish Kumar: And in terms of the comparable footfall de-growth, 5% year-on-year, is that something which you believe that is entirely because of the sports season or do you think that something which can kind of stop, which is something which we have to build in going forward?

Alok Tandon: Well, if you look at the footfalls coming down in comparable property sbut the occupancies remain the same. And when occupancy remains the same, it is because we are having less footfall, it means that the movies which were there were of a longer duration. And hence, we had less shows in a particularl day the footfalls are there because of movies being of a longer duration, we had lesser shows a day resulting in lower footfalls but nothing else.

Ashish Kumar: Okay. So what you are saying is that this is something, going forward, we should budget in depending on the content, obviously, but there is no cannibalization on the footfall that we are seeing?

Alok Tandon: No not at all.

Ashish Kumar: Okay. Thank you and wish you all the best going forward.

Moderator: Thank you. The next question is from the line of Keshav Lahoti from Angle Broking. Please go ahead.

Keshav Lahoti: As I can see in your profit and loss account, your employee benefit expense rose by 33.5% year-on-year, and other expense also rose by 22% can you please throw some color why such a big hike is there?

Alok Tandon: Well, you would have seen that we opened 19% more screens last year, so that is one effect. But then when we boil it down to overheads or spends per screen where staff expense is concerned, it is a growth of 11.4% and I said earlier, primarily, it is because the increments given, and a part of it is because of the minimum wages increasing in some states and that is the reason because of which the entire absolute amount has gone up.

Keshav Lahoti: Okay. So how much proportion you will say due to the hike in the wages?

Alok Tandon: Well, it is very minimal I would not like to pinpoint it, but I would like to say that, yes, the increment component is about 9.5% to 10% and the remaining is because of minimum wages and also opening new screens which are luxurious screens and that is the reason why you see a onetime increase of absolute numbers going up, practically.

Keshav Lahoti: Okay, got it. When I see the box office collection of last year and compared to this year of Bollywood and Hollywood, I see a jump of around 12%. So I believe, of 12%, I may assume it is 5% because of price hike so 7% is because of footfall increase or is it because of more screen opening how should I see it?

Alok Tandon: Well, I would say, it is a mix of both. When you look at your box office collections going up, it is a mixture of increase in footfalls, which primarily is also due to increasing more screens and yes, a part of it is also because of higher average ticket price. Or the average ticket price remaining same, also, we have been able to get those more numbers primarily because opening more screens, and which led to more footfalls.

Keshav Lahoti: So why is the reason INOX same screen footfall there is a fall of 5%, is it somewhat flat or something?

Alok Tandon: Yes. No, I just answered that question. It is because our occupancy for comparable properties has remained the same, which means that the movies which were shown were of a longer duration and hence, we had lesser shows per day. And that is the reason why our footfalls have come down, though the occupancy has remained the same.

Keshav Lahoti: Okay got it. Thank you.

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

Yogesh Kirve: Thanks for the opportunity. I just wanted to understand the Ind AS since it reduces the PBT so does that have any implication on the tax cash payouts?

Kailash B Gupta: No not at all.

Yogesh Kirve: Okay and secondly, just a clarification so we have mentioned about the lease liability and the right of use asset so in our results, note #8, so this pertains to balance as of April 1, 2019 or the June 30, 2019?

Kailash B Gupta: April 1, 2019.

Yogesh Kirve: Beacause of this accounting, I mean, would the management be reassessing sort of build versus lease so does that change the business decision-making on that part?

Kailash B Gupta: Not really, Yogesh. If you ask me, I mean this is all book entries because it does not affect your cash flow, it does not affect your taxation payout and anything. So it is more of a book entry. But yes, it is on your balance sheet as well as P&L. I mean, from that operations perspective, it is business as usual , nothing changes on ground.

Yogesh Kirve: But is there a case to consider buying versus leasing because of this, of accounting...

Kailash B Gupta: If you are going into buying versus leasing, you are investing very heavy capital, maybe we will have one property where we are putting Rs. 3 Crores per screen today, and in future we have to put maybe around Rs.15 Crores per screen. I mean, then, you are in real cash out situation hence cannot add so many properties by buying.

Yogesh Kirve: And what is the Capex guidance for this year, especially on the refurbishment and the maintenance?

Kailash B Gupta: So overall, Capex we are looking is around Rs. 275 Crores in this financial year, out of that, around Rs. 40 Crores to Rs. 50 Crores would be on the renovation of existing screens plus the routine maintenance Capex, and around Rs. 240 Crores the new screens, we are adding around 80 screens, which we have talked about.

Yogesh Kirve: Right, and finally, on the screen additions I am not sure whether we have talked about earlier on call so what is the outlook, I mean, going beyond FY20 I mean, because of kind of economic slump we are seeing, so is there any risk that the mall or the property handovers might be delayed?

Alok Tandon: No, as I said earlier, I do not see any risk because we have signed with all reputed developers and I do not see that they will delay in giving us the handover. Yes, it could be for 2- 3-4 months but not beyond that. Otherwise, I am quite bullish that this story will continue, and we will be opening more screens year-on-year.

Yogesh Kirve: Sure, that is all from me and all the best.

Moderator: Thank you. The next question is from the line of Jayesh Gandhi from Harshad Gandhi Securities. Please go ahead.

Jayesh Gandhi: Sir, in one of your slides, I am seeing that because of Ind AS 116, our PAT margins has been reduced from 8% to 5% and I am guessing it is mainly because, if I understand it correct, is like front-loading of expenses that has been resulted from Ind AS.

Kailash B Gupta: Correct, so it is a front-loading of your rental, basically.

Jayesh Gandhi: Yes. So all the things being same, as we move forward, it will keep on reversing?

Kailash B Gupta: Theoretically, yes, because over the period of time, this should reduce but the challenge is, if you keep adding more property, year-on-year basis, then this is a perpetual system, I mean so the loading is not going to reduce drastically. But yes, as and when the number of new additions stops or grow at a slow pace, then, of course, it will reduce.

Jayesh Gandhi: So what I am trying to ask is the new norm will be I mean we have hit the lowest-impact margin as of today it will keep on gradually improving, right in terms of I mean from today.

Kailash B Gupta: Absolutely right.

Jayesh Gandhi: That is all from my side. Thank you.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Alok Tandon: Yes. Thanks a lot, everybody, for taking the time out to be on this conference, and I hope that you will keep on supporting the company as you have been doing until now. Thanks a lot for being there.

Moderator: Thank you very much Sir. Ladies and gentlemen, on behalf of IDBI Capital Market, that concludes this conference. Thank you for joining us and you may now disconnect your lines.