

25th July, 2022

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Sub: Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

This is with reference to and in continuation to our letter dated 19th July, 2022 and 21st July, 2022 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. We wish to inform you that the officials of the Company have participated in the conference call for analysts and investors meet held on Thursday, July 21, 2022 for post announcement of Financial Results for the **Quarter ended 30th June, 2022.**

Please find enclosed the copy of transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**



Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

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“PVR Limited Q1 FY-23 Earnings Conference Call”

July 21, 2022



MANAGEMENT: **MR. AJAY BIJLI – CHAIRMAN & MANAGING DIRECTOR, PVR LIMITED**
MR. SANJEEV KUMAR – JOINT MANAGING DIRECTOR, PVR LIMITED
MR. GAUTAM DUTTA – CEO, PVR LIMITED
MR. KAMAL GIANCHANDANI – CHIEF OF BUSINESS PLANNING & STRATEGY & CEO, PVR PICTURES
MR. NITIN SOOD – CFO, PVR LIMITED

MODERATOR: **MR. ANKUR PERIWAL – RESEARCH ANALYST, AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the PVR Limited Q1 FY23 Earnings Conference Call hosted by Axis Capital 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. Ankur Periwal. Thank you and over to you sir.

Ankur Periwal: Thank you Peter. Good evening, friends and welcome to PVR Limited’s Q1 FY23 post result earnings call. The call will be initiated with the brief management discussion on the earnings performance followed by an interactive Q&A session. Management team will be represented by Mr. Ajay Bijli – Chairman and Managing Director, PVR Limited, Mr. Sanjeev Kumar – Joint Managing Director, PVR Limited, Mr. Gautam Dutta – CEO, PVR Limited, Mr. Kamal Gianchandani – Chief of Business Planning and Strategy and CEO, PVR Pictures and Mr. Nitin Sood – CFO, PVR Limited. Over to you Mr. Bijli for the initial comments.

Ajay Bijli: Thank you. Like to welcome you all to the earnings call to discuss the unaudited results of Quarter 1 FY23. I hope you had an opportunity to review our presentation and results which have been uploaded on our as well as on the stock exchange website.

I’m happy to share the quarter ended June 30th, 2022, was the best quarter in PVR’s history with the highest ever Revenue, EBITDA and PAT. Please note that the above numbers are after adjusting for the impact of Ind-AS 116 relating to lease accounting and are different from the reported numbers which we submitted today to the stock exchange. This robust performance was driven by the strong bounce back in theatrical admissions with 25 million patrons visiting our cinema during the quarter. This is further bolstered by a strong growth of 23% in average ticket price as compared to Q1 of 2019-20 which is a pre-pandemic period to 250 and 32% growth in average food and beverage spend per head as compared to Q1 of 2019 to Rs. 134 which is the SPH. The quarter was marked by the release of some of the biggest domestic hits like K.G.F:2 which went on to become a second highest grossing domestic movie of all times. Net box office for the K.G.F:2 alone contributed 23% to PVR’s overall box office collection for the quarter which was the highest ever movie collection by PVR. RRR which was released in the last week of March had significant spillover revenue in the last quarter. Bhool Bhulaiyaa 2, Vikram, Dr. Strange from Marvel, Top Gun: Maverick and Jurassic World Dominion were the other big movies that did well during this quarter. The content pipeline in the months ahead looks promising. Over the next few months, we have several big budget Bollywood movies lined up for release like Shamshera, Lal Singh Chaddha, Brahmastra and Vikram Vedha. From Hollywood we have Bullet Train, Paws of Fury, DC League of Super-Pets amongst others. From regional genre we have Vikrant Rona, Liger, Godfather and Ponniyin Selvan.

On the F&B front the company recorded the highest monthly average F&B revenue of 100+ crores during the quarter with strong underlying growth in SPH. The robust growth was a result of our team’s focused efforts on F&B initiatives. The company has opened 14 screens across three properties in the last quarter and is fast ramping up its CAPEX plan to open a total of 125

screens by the end of the current fiscal. About a third of our new screens addition will be in the Tier-II and Tier-III cities and we will be entering into nine new cities during the year. The entire CAPEX will be funded through internal accruals and liquidity available with the company. Our screen portfolio currently stands at 854 screens across 173 cinemas in more than 75 cities in India and Sri Lanka.

Gross debt during the quarter has reduced sequentially by 91 crores and was 1,414 crores as of the end of the Quarter 1 FY23 as compared to the end of Q4 of FY22. The net debt was 844 crores.

A quick update on the progress on the proposed merger of Inox Leisure Limited with the company. Both the companies seem to no objection certificates from the two stock exchanges that is BSE and NSE on the proposed scheme of the merger and we are in the process of filing our application for the approval of the scheme of merger with the NCLT in the next couple of weeks. I am told that NCLT process typically takes anywhere between 5 to 7 months, so we seem to be on track. Given the excellent performance of the movies in the last few months and a very promising lineup of content that is up for the release during the rest of the year we are expecting full recovery in admissions and advertising income over the next couple of quarters. I believe that this year will be great year for the company. With these opening remarks I open the platform for any Q&A. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from Abneesh Roy from Edelweiss.

Abneesh Roy: Thanks and Congrats on a very good set of numbers. My first question is on your slide #16, so essentially SPH to ATP ratio, if I see almost every year you have managed to improve it, so from 28% it has now become 54% and versus pre-COVID also there is 500 bps jump. So, where do you see these numbers settling because now would you go for a better occupancy and slightly lower ATP, so could this number keep going up in the medium term in the next 2 to 3 years, SPH to ATP?

Ajay Bijli: Abneesh you're the first person to ask, always the first person to ask the first question. So, that's something that intrigues me. In the meantime, I will ask Gautam to answer this question because he has been the force behind taking the percentage of F&B to ticket prices, he has just been working relentlessly, so Gautam would you like to answer this question please.

Gautam Dutta: Yes. So, typically, we have been at about 50%-55% now. We believe that there is still usual room for this to grow and we are gradually going up every year as you rightly pointed out. So, we believe that this is really about the glass ceiling. There are still certain cinemas where we could be 80% of the ATP. So, this trend has to just now keep growing. We seem to have a great strategy in place where the both quality of food, hospitality and certain promotions which are run around F&B seem to be working very well. In a couple of years, we can clearly see that the SPH could be matching our ATP. To your question of saying does ATP need to be blended down, no, ATP will continue its path and growth and so would SPH. This proportion of SPH to

ATP has to keep getting better. That is the endeavor and that's the focus and that's the vision and we believe that every year we will only notch up a few percentage as we go forward.

Abneesh Roy:

My second question is on ad revenue on an overall basis and on per screen basis. How do you see the normalcy coming back in terms of ad revenue per screen versus pre-COVID? Why I am asking this is currently still Q1-Q2, we expect huge cutback by advertisers because of the inflation pressure which they are seeing. On the other hand, we are also seeing discretionary sectors come back. So, if you could discuss a bit on the mix of advertisers also versus pre-COVID, has that changed anything dramatically and in terms of normalcy versus pre-COVID ad revenue per screen when do you see that happening?

Gautam Dutta:

There's lots of questions that you have asked but let me give you a macro trend here. We believe that Quarter 2 we should be getting our averages lot better than the pre-COVID numbers of Q1 as against Q1 of last year. So, currently we are in the gap of about 38% which should be reduced to about 20% odd in Q2. By Q3 which is really a festive period and lot of advertisers begin to advertise, we believe that we will be within the pre-COVID levels or maybe 5% or 7% lower. I am very certain that by Q4 we will end up sort of exceeding the pre-COVID numbers. So, that is going to be the trajectory and having said that yes there has also been a big churn in the advertisers those used to come earlier to now. We are seeing a lot of traction with new age advertisers who have come in, some of the FMCG and the multinational brands are taking a little more time. We hope that by Quarter 3 they would possibly be back at the cinemas, so that's largely what it is, retail the clients are showing a quicker turnaround and we are seeing that while the RO size is small but they are kind of coming back to cinemas much faster. So, overall I think Quarter 2 is going to be a little under pressure but the average will get better than what we have achieved in Q1 but Q3 is really where I believe that we will be largely in the hitting range of pre-COVID numbers.

Abneesh Roy:

So, just to get clarity, if I see your ad revenue in Q3 FY20, it was almost double of what you have done in Q1. So, you are saying you will be ending up pretty close to that, so you think in two quarters you can kind of double this number say around 110-115 crores?

Gautam Dutta:

Yes, when it begins to ramp up this number can really jump up and with some of the big releases which are going to be there around the Quarter 3 which I said was the most a quarter where the maximum footfall gets in. I believe that we will be in around a very good range of what we had done pre-COVID. So, that's where I feel we will be. In Quarter 3 we will be able to get there.

Abneesh Roy:

One last question, so one concern I think a lot of investors are having is on the performance of the main Hindi movies which is extremely important for you in terms of box office. So, when do you see it fully reviving, what is the issue here? I understand the usual answer of content but we are definitely seeing south Indian movies doing consistently well and while Hindi movies are not doing well. So, it can't be the only content, is there some other issue also?

Ajay Bijli:

No, there is no issue. I think it's too early only; it's only been 3-4 months since movies have started coming and basically, I am not going to write-off Hindi movies so soon. There are some

big movies lined up. So, people just want to watch whatever appeals to them and it just so happens that these two big films did exceedingly well and they have overshadowed other releases but we have got Shamshera coming tomorrow, we have Lal Singh Chaddha, Raksha Bandhan on a very big weekend in August which is a 5-day weekend from 11th August all the way to 15th August. And then we have Brahmastra coming, we have Vikram Vedha coming. So, there are some big movies coming and this is just a beginning. When you have smaller movies which have always traditionally become sleeper hits in the past. So, one quarter is too short a timeframe to draw any conclusions that only regional terms will dominate and Hindis will not do well anymore. We have to let the whole year pan out and I don't see any problem whatsoever because there are some prolific film makers and directors and actors even the Hindi film industry who are also seeing this happening and they will bounce back. No problem whatsoever.

Moderator:

Our next question is from Aaron Armstrong with Ashmore Group.

Aaron Armstrong:

First question would be around box office which kind of relates to some of the earlier points made. Can you talk about the box office growth and the revenue growth that we've seen this quarter? And whether that reflects pent up demand and very good slate of movie content or it is more of like PVR gaining market share and consolidation of the industry just kind of where you would place the emphasis on those two?

Kamal Gianchandani:

Firstly, I think the performance of Q1 and if I was to also include March 2022, the performance in these four months reflects partly the pent-up demand. It also reflects and it also puts the debate that whether people would come back to theaters, whether the consumer appeal of movie theaters has gone down. Streaming has taken away a lot of eyeballs that debate has been put to rest and that's reflecting in these four months admissions, it's also the quality of films. Some of these films which came out were exceptional films. Marvel came out with Dr. Strange, Warner came out with The Batman in March, Mr. Sanjay Leela Bhansali came out with another edition to his ever-growing list of successful films and of course we had K.G.F and RRR which surprised everyone on the positive side. So, it was a mix of pent-up demand, it was a mix of the fact that the whole debate came to an end. The consumer appeal for movie theaters is very much intact and it's also the quality of content. I would also like to add another point to the earlier question from the panelist where there is a concern about some of the Hindi films underperforming and Mr. Bijli summed it up and he answered it comprehensively. I would only add one point to it that Hindi films have done well. Gangubai, Kahsmir Files, Bhool Bhulaiyaa even Jug Jug Jiyo which came out recently, they have all done well. And also, we have to keep in mind that K.G.F and RRR actually performed a lot better in the Hindi version. Whether you would categorize them as a Hindi film or would you consider them as a Kannada or a Telegu film is a matter of debate, depends on which angle you are looking at it from. But we think of them as Hindi films and the way we look at it is that if RRR, K.G.F which are films essentially dubbed in Hindi can do so well, imagine when a Hindi film in the original version with a popular actor or with multiple popular actors the film which will connect to audience, imagine the upper limit for those films, imagine the potential for those films. So, we see it as a big positive and those were the three elements why we think content is done well, these four months have done so well for us.

Aaron Armstrong: So, that's on the market share. So, would you say that your market share is now higher than it was pre-COVID. Any kind of consolidation signs or small operators exiting the market?

Kamal Gianchandani: That's a good point. And thanks for adding that question. Definitely the market share of I would say larger chains which have more credibility with the consumers, definitely the market share of such chains have gone up as compared to the pre-COVID period. I wouldn't comment on consolidation at this point because we are in the midst of a merger. But your question on whether smaller chains are exiting, to be honest at a very macro level, at a very high level the number of people who have exited the business is a fairly small number, it's a moderate part of the overall screen count in India. We reckon its less than 10% and it's mostly those cinemas which were underperforming or which were not contributing with any meaningful box office, even during pre-COVID those were the ones who have exited. So, from industry point of view at high level there hasn't been a lot of exits.

Aaron Armstrong: Just around the sustainability, the extra numbers that we've seen this quarter, we spoke about pent-up demand, we have spoken about very strong slate of film content and is that kind of feed into an expectation that we could see some softer quarter?

Kamal Gianchandani: Subsequent quarters would have certain quarters which will exceed expectations and there is a possibility that certain quarters could underwhelm in terms of admissions. But to be honest the way we see it, the way we look at the lineup that we have in the third quarter and the fourth quarter of this current financial year, we feel fairly confident that this could turn out to be a year which will end up with aggregate admissions which are a lot better than what we did in 2019-20. We feel extremely buoyant looking at the lineup and the response that we have got from the audiences. That said our business is of hits and misses. I think it's best to look at it on annual basis rather than on quarter-to-quarter basis in terms of admissions. There are segments like Hollywood films which have a depressed number in terms of quantity. Quality is fantastic, Dr. Strange, Spiderman, Top Gun, all of these films have exceeded the expectations, Jurassic World. But as far as the quantity goes, studios are still ramping up their production. Same is the case with Hindi films, producers are still ramping up their production. There has been a lot of disruption in terms of shooting over the last 2 years. We could have some surprises as we move forward but I think at an annual level, the entire financial year we are looking at very strong set of numbers in terms of admissions.

Moderator: Our next question is from Jinesh Joshi from Prabhudas Lilladher Private Limited.

Jinesh Joshi: I have a question on the windowing gap which was expected to revert to eight-weeks at the end of July. Has that already happened, that is question number one? And secondly if I am not mistaken, we recently piloted one program which allows subscribers to watch movies on weekdays by paying some monthly subscription fee. So, if you can shed some light on this plan, how has been the response to it that would be really helpful.

Kamal Gianchandani: Your first question on windows, answer is yes. On 1st August we will revert back to the erstwhile eight-week window which is what used to be prevalent pre-COVID. So, we will revert to on the

eight-week window on 1st August 2022. On your second question with respect to subscription program I would request my colleague Gautam to share some comments.

Gautam Dutta:

Actually, on the subscription, we had to go a bit slow simply because the regulatory authority had some issues regarding recurring payments for over 3 months. So, there were certain negotiations and certain clarity required from the regulator. We are planning to go and launch this in a big way. We have already sort of piloted this project. However, on the recurring payment plan there were certain amount of, as I said, regulatory concerns which has been managed now. We will be now going full stream with the Phase-2 of the launch.

Jinesh Joshi:

Secondly, I had one question on the book keeping side. If I look at our electricity and utility charges, they are lower by about 4% when I compare it with the pre-pandemic days. Now this is despite the fact that we are operating with higher number of screens in 1Q. So, if you can highlight the reason behind this. And secondly in the opening remarks we mentioned that our debt is down by about 90 crores odd sequentially, so where exactly do we expect to end the year on the debt side? That is a second question.

Nitin Sood:

I think the reason for low electricity cost is because of the tight control that we kept at operating level on some of the unit consumption. Also, some of the states we have got reliefs from the government which are temporary in nature, so I think both of things coupled helped us to keep the unit consumption under check. But these costs will gradually rise as there is increase in power cost all over. But we will try and keep them under a tight control as much as possible. Also, on your second question around leverage, I think the operating cash flows of the business continue to remain strong and since we will be opening a lot of screens this fiscal year, the focus during the next 9 months will be to use some of the operating cash flows to fund most of the growth. So, it's difficult to say what our net debt numbers will look like. We want to sustain those numbers because we want to reinvest all the operating cash flows into growth and that will be the focus for us this year.

Jinesh Joshi:

So, basically, if we are funding our CAPEX needs via operating cash flows essentially the debt levels should not rise from here on, is that kind of...?

Nitin Sood:

No, they will not rise from here.

Moderator:

Our next question is from the line of Harit Kapoor from Investec Capital Services India.

Harit Kapoor:

Just had two questions, the first one on the rent side. So, if you take the rental numbers 2.1+0.5 that is about 2.6 million per screen. We have seen a roughly 26% kind of increase in rental cost as well as 18% in CAM I think over the 3-year CAGR you are getting 4.5% on comparable property. Just wanted to get your sense about whether this 2.6 million is something that we have to now expect on a going forward basis because this is the pent-up increase which we have seen over a 3-year period will imply that rent to revenue is little higher than what your pre-COVID number was so how do we think about this?

Nitin Sood: First of all, our rentals will continue to grow with on a contracted basis, roughly 4% to 4.5% CAGR but our revenue growth is much stronger than that. So, I don't know when you say that our rent to revenue ratio will keep rising, I'm not able to get that because rent to revenue ratio should actually either remain same or will get lower because the revenue growth is stronger than the rental growth right now.

Harit Kapoor: No, I meant this year. I mean this year so far if we look at Quarter 1, we are at 23% which is compared to Quarter 1 '20 I think that is 20%-21%. That number is higher. I think from is this like a rebasing and then from there it starts to come-off in '24 onwards, is that the way to look at it?

Nitin Sood: No, I think that's not the correct way of reviewing this because Q1 revenue still does not reflect full recovery in admission, still does not reflect full recovery in advertising revenue. So, in that respect I think you should look at the rental number on annual basis, even for Q1 on a 1000 crores revenue our rent is about 180 crores which is about 18%. So, there is from a rent to revenue ratio perspective, there is no material change.

Harit Kapoor: The second question was on the personal cost side, also you had mentioned that there is an expected move up on account of increments and wage inflation. This quarter you can manage it at similar levels which is down 2%. I think you had made a comment that you will try and keep it in the similar ballpark as pre-COVID. So, just wanted to understand any change in that thought process given the recent kind of as I said in wage inflation as well as the increments that you were talking about?

Nitin Sood: I think our personal cost per screen will move up by about 9% to 10% from existing levels on account of wage inflation which is minimum wage increase and increments for people over the existing levels. But on an absolute level if we look at the amount of headcount reduction that we have managed to squeeze in, we intend to sustain that. There will be very limited increases in the headcount savings that we have managed to achieve. But if you look at a 3-year period and then compare and factor in the inflation for 3 years, it is significantly lower as compared to the revenue growth that we have seen.

Harit Kapoor: My last question was on when you have mentioned admits are not yet back fully. This seems like a fairly normal quarter where you had some big hit films as well, obviously you had a very good overall revenue performance led by ATP and SPH as well. I understand that occupancies are little lower but wouldn't you think that this is as normalized as it could get from a footfall's perspective? Anything I'm missing there.

Nitin Sood: I think it will be slightly premature for us to come to that. I think we have not had a full run of operations. There is still a large segment of people who have not shown up at the cinemas. Our sense is that will take a few months for the full recovery to play out as more films get released across theaters, as more genre of films released across theatres, whether it is Hindi films or big tentpoles like Avatar which will draw consumers back to cinemas. So, the full recovery will take another 6 months to play out. Our sense is by December of this year where we have had a big

run of films, effectively recovery should take out shape fully because you must also understand that in a country like India there is a very large segment of people who show up at the theaters only once or twice a year. So, for that to play out you have to give it time and see a full recovery. So, our sense is by end of December we should hopefully be able to see some of that.

Moderator: Our next question is from Prateek from Nippon India Mutual Fund.

Prateek: Just wanted to check, with this rebasing of rent has happened plus the 5% rev share, how should I think about SPH and ATP specially in quarters which are dull or where there are more hits or more misses rather than hits?

Gautam Dutta: SPH, there will be no change at all and largely we feel that 30% growth can easily be maintained. On ATP is really a function of what kind of films get released. So, if we do not have a mega blockbuster or a tent pole film then ATP could be depressed by about Rs.10-12 but nothing very significant. But given the flow whenever we will have big films, we will be able to record similar ATP growth as well.

Prateek: And secondly if you were to break down the admits recovery between metros, Tier-I, Tier-II, can you just give us a flavor where is this lack or degrowth coming from or which pocket is contributing to the highest degrowth?

Kamal Gianchandani: The recovery Tier-I, Tier-II have had similar recovery but there are pockets within Tier-I which have underwhelmed in terms of admission. You could attribute it to the kind of films which have done well because these films were targeting the lowest denominator, they appeal to a certain sensibility. And as a result, certain pockets which tend to be affluent have shown the results which are inferior as compared to certain other pockets, that's one. Number two, like Nitin touched upon briefly in his commentary, there is a large number of people who come to the theaters once a year. There is also sizeable number of people who come only twice. From various analytics that we do, we are observing that a lot of those people have not yet come back to theaters which means cinemas which are more dependent cinemas which have more frequent moviegoers in their catchment, they are showing superior recovery and catchments which have less number of frequent cinegoers are showing slightly inferior recovery. But also, like Nitin mentioned, these are still early days and we have to give it another 5 to 6 months to form a firm view on which are the areas which have underperformed and which are the areas which have done better. But yes, that's our very high-level sense of what's happening in the marketplace at this point.

Prateek: And Kamal, let's say this continues after 6 months what do you do to get that admit back? In the sense we continue to see negative or decline in footfalls on like-to-like basis, what do you do to get the footfalls back?

Kamal Gianchandani: The way we see it and all possibilities are there on table. You are right, I mean there could be certain quarters which underperform but the way we see it at a very high level, like I mentioned earlier the consumer sentiment or the consumer preference for theater going is very much intact.

Producers who were experimenting a lot with different models, with different distribution models I mean in some cases they were going direct to streaming, in some cases. At least in US producers, distributors were releasing it simultaneously with theatrical even on streaming. All of that has stopped now, windows are back, producers have come to a conclusion and I think even streaming platforms recognize and respect this fact that the erstwhile model of following windows, being respectful to windows is the right way of creating value for the entire ecosystem. Also, when we look at the films which have been lined up and the kind of response that we have seen for KGF, Spider-Man earlier in November last year, films like Pushpa which released with pretty much no marketing, not a very known popular face in the Hindi belt, the kind of performance we have seen. Even films like Rocketry which picks up later. What we are seeing is that the consumer sentiment is to escape. People want to escape from news, people want to escape from this constant war or inflation or other worries which we have in the economy and they are finding cinemas still has the best platform to get this escapism and the success of films that have performed, the quantum of and the scale of success is clearly showing that this possibility of this year underperforming is fairly remote. So, your question sorry I gave an elaborate answer but your question what will we do, I mean I would not get into that because that is all sensitive, strategic information. But frankly from our prism, the way we look at the whole situation we don't see that situation panning out this year. This year looks like we are going to have a V-shaped recovery, a very sharp bounce back. At the end of the year that's what we are going to finish with.

Prateek: And lastly just wanted to check, can you call out Quarter 1 FY23 industry box office collections, is it possible?

Kamal Gianchandani: So, industry wise you are asking?

Prateek: Yes.

Kamal Gianchandani: I can tell you that in the first 6 months; I don't have the breakup for Q4 of last year and Q1 of this year but the data that we have is that the gross box office of the industry and I am sharing gross box office, not the admission is roughly Rs. 5,700 crores which is slightly better than what the industry did in 2019 and this considering the backdrop that the whole of January got spoiled because of Omicron and then half of February was impacted because of Omicron. So, even with that constraints, finishing the first 6 months with Rs. 5,700 crores box office is a fairly aggressive achievement. A lot of pent-up demand, lot of credit goes to KGF, RRR but those are the numbers. So, first 6 months about Rs. 5,700 crores better than 2019.

Moderator: Our next question is from Anurag Dayal from HSBC.

Anurag Dayal: First question is basically about seats per screen. So, as per my calculation I could see that seats per screen has been coming down, used to be around 220 odd which has come down to around 210 or below that in this quarter. So, this was the reason behind it, is it because you are moving more into smaller towns and opening smaller properties or some light into this? And how to see it going forward?

Nitin Sood: I think the new properties that we have opened have an average lesser number of screens. Some of the premium properties that we have opened like Maison, a New Director's Cut in Gurgaon etc. they are more premium with the much smaller auditorium count, more premium in terms of facilities. So, yes, our average seat count on the new screen portfolio is close to that number, about 200 odd screens per seat. Depending upon how the mix is evolving at that particular year, your averages reflect that way. Also, we have shut down few cinemas which were old and dilapidated, we have also exited few properties. So, that's the sum total of the ratio.

Gautam Dutta: And also, to add what Nitin said we are adding more premium screens in our circuit and except for IMAX and the P(XL), all the premium formats are largely operating in a slightly smaller audi sizes. So, whether it's the 4DX, whether it's the Playhouse, whether it's other formats as well, LUXE and Director's Cut, they all operate on slightly smaller audi sizes and which technically brings the average a little down.

Anurag Dayal: Just a follow up on this is I understand is around 12% of screens are premium right now. So, how you see it going forward, if how much I mean ballpark could go in the next 5 years say?

Nitin Sood: Anurag, can you repeat your question?

Anurag Dayal: Yes, I am talking about the share of premium screens is around 12% currently. So, how you see it going forward over the next 5 years, it could be higher, how much? Is there any target which you have in mind?

Nitin Sood: I think we are focused on creating more and more experiential cinema offerings. Our sense is it will keep inching up but I think over a long period of time, say next 5 years this number could potentially look like 18% to 20% from 12% levels.

Anurag Dayal: I have another question is basically what I have read is you are exploring franchisee route per screen additions kind of asset light model. So, what is the thought process behind it and if you can give some insight and how the mechanics of franchisee cinema work for you guys? Any direction in terms of how much it is, high or lower in terms of CAPEX and OPEX? Anything insight will be very helpful for that.

Nitin Sood: It's slightly premature for us to talk about that. Once we launch a few screens and we open a few screens would like to talk a little more about that. Currently we are focused on doing lot of screens the way we are doing. Obviously, the focus is to reduce the CAPEX per screen and that we are constantly working on but we haven't launched the full-scale franchisee model as yet. So, when we get there, I think and we have opened a few screens we would like to talk a little more about it. I think slightly premature for that.

Moderator: Our next question is from Piyush Sharma from Minerva India.

Piyush Sharma: First of, just wanted to better understand the IMAX formatting challenge for domestic content. Now IMAX typically requires content I guess 2 weeks before release and I think it becomes 3

weeks for international delivery and domestic producers did struggle at least historically with that. Do you see this changing going forward?

Kamal Gianchandani: I will take this question. I must say that you are quite clued-on because this is a constraint which only people in the industry would know. Answer to your question is, it has improved considerably both non-Hindi Indian film producers as well as Hindi film producers have become extremely proactive. They are preparing, they are finishing their films much in advance and not just in advance, to be able to deliver it to IMAX and many other service providers so that they can format it in that particular, they can process and even make it ready for that particular format but also a lot of producers are doing screenings to get feedback on the film and then make changes in the film, if they find the feedback relevant. So, answer to your question is yes, things have improved a lot and producers are finishing up, wrapping up films much in advance and then they are leaving enough time to do a lot of last-minute R&D before they go out and release and of course naturally formatting, processing for these formats is no problem anymore.

Piyush Sharma: Secondly, now while ticket receipts can be directly attributed to premium versus regular formats that we will do. Would it be possible to get some sense of how concession revenues are broken down between premium versus non-premium screens, roughly?

Gautam Dutta: So, to answer your question first and foremost in terms of SPH to ATP ratios; this ratio is lot more healthier and when we talk about premium screens. Now we honestly, do not have a way to figure out candy sales in a cinema where all formats feed out of the same concession. I am talking largely in context of the LUXE Audis or the Gold Class auditoriums which has a separate counter. There our SPH to ATP ratios are about 70% and even the actual SPH numbers hover around Rs. 350-400 per person but overall, when you look at any property which does have a premium format even if it feeds out of the same concession; the ratios are much healthier and premium auditoriums wherever consumer is paying a little more as ATP or ticket pricing tends to even come and consumes more food. So, clearly a premium format helps to build a better candy sales number.

Piyush Sharma: Just very quickly looking at slide #12, is the box office ATP and admits stacked versus fiscal first quarter '20; possible to share the ATP movement on comparable properties versus like this?

Nitin Sood: I think there is no big difference in the ATP movement in comparable properties. I think it's largely in the same ratio.

Piyush Sharma: Very quickly if I can just slide just one more. Just next slide and slide #13 you have got language wise contributions. So, this is clearly in our not original content contribution but if you were to hypothetically re-create this in original content; fair to say that Hindi would have dropped not just from 47 to 46 but much sharply lower?

Nitin Sood: That's correct because the Hindi language contribution of KGF and RRR and Vikram have been quite decent and it's absolutely fair to say that if you were to remove that and count it as a regional content then this ratio would be much lower.

- Moderator:** Our next question is from the line of Arun Prasath from Spark Capital.
- Arun Prasath:** I joined little bit late so apologies if the question is repetitive in nature. What I'm trying to understand, Kamal and Nitin is that I'm looking at this quarter compared to the first quarter of FY20 and if I see that the screens growth 3 years CAGR is close to 3%-3.5% whereas the rental expense and common area maintenance have grown by more than 8% to 12%. Is it because the developers are trying to charge higher rent to off-set for the losses they had during the COVID or how should we read these numbers?
- Nitin Sood:** That's not the case. You have to factor in a 3-year inflation and cost. We have gone back to paying full contracted rentals. Our rental CAGR growth on an annual basis about 4.5% per annum and if you look at the slide #18, we have given up break-up of how the rental costs have evolved. Our rental cost across comparable properties is up 18% to 19% out of which 14% is on account of a 3-year rental escalation which is kicked in on a regular contracted rent and the balance 5% is revenue share linked so because we have done great revenues we have also shared as per our contracts a percentage of that with the landlords. So, that's primarily the reason. There is no claw back or any such thing.
- Arun Prasad:** So, this run rate should continue? There is no one off or anything like that? This should continue as we move forward.
- Nitin Sood:** Correct.
- Arun Prasath:** And also, I am not sure it was even asked, I missed your commentary on the ad revenues per screen which looks like it is still yet to recover completely to the pre-COVID levels. What is your sense and outlook on this revenue spend?
- Gautam Dutta:** Yes, this as I have just spoken will take some time and we hope that by Quarter 3 we would be within the hitting range of the pre-COVID number. Currently it's down. We should recover in terms of percentage in Quarter 2 but the full recovery would technically, be closer in Quarter 3 on one could safely say in Quarter 4 we may end up exceeding the pre-COVID number. But Quarter 2, we are still going to be lagging behind.
- Arun Prasath:** Just reading across the commentary from others especially FMCG. What used to be the contribution to FMCG to your ad revenues? Is it like are you getting dragged on because of their spend is lower or some any other category which is not yet back to the mark? Some category wise commentary would be very helpful Kamal?
- Gautam Dutta:** FMCG of course was contributing close to about 15% to 17% of our total revenues. That's taking time and the second big category which was contributing which is telecom and handsets which have also slowed down simply because of imports to India and the short of those chips and they have lesser products to sell. So, these are the two which have taken a bit of a dent and we believe that the way and we have been really having a lot of communication with the brand managers there and we believe that Quarter 3 because that's a festive time, they are all kind of gearing up

for making sure that India has enough and more supplies is when these guys will come back into advertising a big way at the cinemas.

Moderator: Our next question is from Abneesh Roy from Edelweiss.

Abneesh Roy: I had few follow-up questions. First is on some of your new or smaller businesses like the cleaning service which you had launched during COVID. Is it more of a marketing exercise? I understand you do have some level of core competence or maybe a lot of core competence but are you seeing any traction from the B2C side of customer here and similarly on the Popcorn and the V Café or your presence say on Swiggy, how is the scale up, if you could discuss that?

Gautam Dutta: Your first question I couldn't get. V-Pristine is actually showing up some very encouraging numbers and while the numbers in relatively could be small but it's very consistent and growing. We do about Rs. 30 lakhs odd revenue every month so that's growing and very-very encouraging. Even on M Pop which is our Microwave Popcorn, this has been one big I think boon of the COVID times and some of the SPH that you see is because of the volume of M Pop which is being sold at the cinema and this is a wonderful product because consumers buy. We add it in our SPH but these popcorns not consumed at the cinema. So, at one end we are kind of servicing their hunger by selling them more product, we are also beginning to supply them a food which they can take home. So, on both ends it's kind of doing a brilliant job. So, M Pop is doing very-very well and this is Pan-India, it's not just a region specific thing. Overall, it's contributing to every cinema, in every region in a very positive way. Our initiative around Zomato and Swiggy is I would say not so encouraging. We are learning a lot as we move forward. This is a different ballgame and we are also realizing that, that it needs a different mindset to be able to come out winners within this program. We are not giving up; we are still working with our partners Zomato and Swiggy to see how we can make this bigger but we have realized one thing that this business will at best contribute positively in some locations and deliver a certain SPH contribution to a cinema but if you look at it at the standalone business, may not be very sizable ever.

Abneesh Roy: So, in Swiggy-Zomato part of business, any plans for setting up Cloud kitchen because I think that is a bit more relevant and would you have any number in mind as to how much of initial investments or losses in this part of the business because I do understand it does get cross subsidized by your current infra but if you evaluate on a standalone business; are you looking at any investment or this is just more of a pilot project?

Nitin Sood: I think we have to rethink the whole piece because we also realize you need a larger network and I think we will have to reimagine this post the merger as well as our network of cinemas will go up significantly in lot of markets. And you are right, I think it will just not be about adding Cloud kitchens. We will have to rethink the whole business plan of how to make it relevant which may require some investments, that's not the concern. But I think we will have to rethink the whole piece how to make it relevant. Next year would potentially be the right time to do it as we have a much larger network of cinemas across cities.

- Abneesh Roy:** Globally do multiplexes in any country do this kind of business, delivery?
- Gautam Dutta:** Not at all, not even one. Across the board I would say PVR took this charge, no one else has ever tried this before.
- Abneesh Roy:** And last question was on essentially closure of some of the tough properties or properties which have lived their life. So, any more color you can give in terms of next 1-year-2-years, how many properties you see undergoing this kind of an evaluation? Because in retail this is quite common that always churn keeps happening and malls also become dead and so could you discuss any numbers next 1-year-2-years, how many such properties can happen?
- Nitin Sood:** So, if you look at it, we have a typically long leases and when these leases come to an end typically, we continuously evaluate this on an ongoing basis and during the last 2 years, 3 years from June '19 till now, we have shut down 39 screens, out of which 23 the leases expired, we did not renew of Cineline and the balance 16 screens we shut down. We believe as of now bulk of our portfolio I would say 95%-96% of our portfolio is absolutely prime and doing exceedingly well. There will be 2% to 3% of the portfolio which is in malls which probably have outrun their life but cinemas continue to still do well and you know over a lifecycle we continue to evaluate this on an ongoing basis. If I am getting into a new market, into brand-new shopping malls and building my market presence and the existing cinema has lost steam or that mall has become irrelevant, we take those calls to move out and shut down those locations and properties. But I don't think that number is quite honestly any significant number. It will be not more than 1% or 2% of the portfolio and that's part of our annual exercise.
- Abneesh Roy:** One follow-up on Cineline. I understand it was just 2%-3% of your impact on numbers but in those market, are you able to get some part of the demand back because now your partner is kind of competing against you and of course they will have some obviously expansion plan also. So, if you could address both parts. Are you getting some part of the demand back because now it's not part of our network and second to see them as a competition in terms of longer term because of expansion?
- Nitin Sood:** I think it's good for the industry that we have more and more operators because there will be cinema opening opportunities all over the country. Some we will find viable to do, some we may not find viable to do but it is good that the country adds more and more screens and it's good to have somebody who is willing to put capital to add more cinema screens apart from us. On Cineline like we said it was not a very big portion of our portfolio, less than 2% of our overall revenues and our cinemas in West have actually done quite well this quarter. In fact, only 50% of those screens that we were operating in Cineline properties were relevant screen, some of them have outlived their lives and had got replaced by new cinemas. So, we believe that this churn, this is like any other regular churn that will keep happening in our portfolio. Every year we will keep shutting down on one or two properties which will stay not relevant and keep replacing them with new screens that we will end up opening in those markets. So, we don't see that to be any major concern.



Moderator: Thank you. Ladies and gentlemen that was the last question for today and now I would like to hand the conference over to Mr. Nitin Sood for closing comments.

Nitin Sood: I would just like to thank everyone for taking out time for our earnings call and if you have any follow-up questions, feel free to write to me. Thank you.

Moderator: Thank you. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.