



“PVR Limited Q4 & FY20 Earnings Conference Call”

June 09, 2020



MANAGEMENT: **MR. AJAY BIJLI – PROMOTER, FOUNDER, CHAIRMAN & MANAGING DIRECTOR, PVR LIMITED**
MR. SANJEEV KUMAR – PROMOTER, CO-FOUNDER & JOINT MANAGING DIRECTOR, PVR LIMITED
MR. GAUTAM DUTTA – CEO, PVR LIMITED
MR. KAMAL GIANCHANDANI – CHIEF BUSINESS PLANNING & STRATEGY & CEO, PVR PICTURES
MR. PRAMOD ARORA – CHIEF GROWTH & DEVELOPMENT OFFICER, PVR LIMITED
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 Q4 FY20 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 from Axis Capital. Thank you and over to you sir.

Ankur Periwal: Thank you Reo. Good evening friends and sincere apologies for keeping you all waited. We welcome you all to PVR’s Q4 and FY20 year end post result earnings call. The call will be initiated with a brief management discussion on the quarterly and full-year performance followed by an interactive Q&A session. From the management team we have with us Mr. Ajay Bijli – Promoter Founder, Chairman and Managing Director, Mr. Sanjeev Kumar – Promoter Co-Founder and Joint Managing Director, Mr. Gautam Dutta – CEO, PVR Limited, Mr. Kamal Gianchandani – Chief Business Planning and Strategy and CEO, PVR Pictures, Mr. Pramod Arora – Chief Growth and Development Officer and Mr. Nitin Sood – CFO, PVR Limited.

I will hand over it to Mr. Ajay Bijli first for his initial comments post which we can open the floor for Q&A. Mr. Bijli please.

Ajay Bijli: Thanks very much. Good afternoon everyone. Thanks for joining the call. We will be giving you a brief summary of our results a bit later but before I begin I just want to wish everybody well. I hope all you guys are healthy, strong and safe during the absolutely extraordinary times. We are operating in a very-very unprecedented times just now. So on behalf of PVR first of all my heart goes out to all those who have been affected by COVID19 and I hope nobody on this call has got anybody who is affected by this dreadful disease and also for all the heroes who are at the front line, the doctors who are fighting against this Corona Virus so that’s the most important thing.

As far as PVR is concerned we did have an excellent year FY20. Some of the highlights are that we have were able to add 87 screens which is the highest ever in the Indian exhibition industry and we also were able to get 100 million patrons during the year which is an incredible feat for us and we are very-very excited with that. Obviously this could not have been accomplished without the support of our patrons, the devotion of the people who work and all our stakeholders and partners; even now we are in constant communication with everybody, customers, developers, producers employed in the difficult times and we’re very hopeful and optimistic that we will come out extremely stronger out of this crisis and I hope with this crisis over very soon. With this I will just hand over the call to our CFO Nitin Sood who can then give you a brief summary on the financial performance of the company. Thank you very much for your attendance.

Nitin Sood: Good afternoon everyone. Just a brief overview of the financial performance during the quarter and then we will move to Q&A. So total revenues during the quarter was 662 crores as compared to 846 crores during the previous corresponding quarter, so clearly the financial performance of the company was impacted on account of shut down of cinema's which began from 11th March onwards and we were completely shut by 16th to 18th March and next one week almost all our circuit was shut. As a result of this we lost complete almost 17 days of operations and the audience had already started trickling down beginning of March.

Our EBITDA for the quarter, reported EBITDA is 189 crores as against 169 crores but the Ind-AS adjusted EBITDA was about 59 crores as compared to 169 crores last year, primarily on account of the losses during the month of March. We had a great January, one of the best months during the year and January and February were good months and March certainly impacted the performance. We had a loss of 75 crores for the quarter, out of which 32 crores approximately was a onetime adjustment on account of re-measurement on deferred tax assets at the revised rate of 25% which is to the new tax rate which was introduced during the year, so that's a onetime impact.

If you look at how was the full-year performance, the total revenues at 3452 crores, were up by 11% as compared to last year. Our consolidated EBITDA which is adjusted for Ind-AS was 614 crores as compared to 619 crores last year, almost at the same level. The overall EBITDA margins were about 18% this year and they fell as compared to last year, largely due to the under performance during this quarter on account of closure of cinemas. So that's broadly a snapshot of financial numbers. In addition to that like as Ajay said we have added it 87 screens this year, so this has been one of the biggest years for us in terms of screen openings. We could have potentially added more screens but towards the later part of the year as cinemas were shut down we could not do that.

In addition to that the company has also made an announcement yesterday where the board of the company has given an enabling approval to raise, Rs. 300 crores by way of a rights issue. So these are the key developments in the quarter. I will now hand over the floor for Q&A and we will be open to take any questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Hyung Joon from Tokio Marine.

Hyung Joon: Can you give us a bit more information on those last 17 days, are you able to say what was the revenue loss and EBITDA loss?

Nitin Sood: No, we can't give any specific numbers but you can broadly compare the revenue with the revenue of the previous quarter and effectively deduce the effective revenue loss from the estimated numbers. We run a large fixed cost business so given that in mind from profitability situation in March we went into losses given the fixed cost nature of the business and I would say that clearly that is the reason for drop in profitability as I said January and February were

great months. We were doing great and March effectively we were shut down, so clearly that had a big impact on the operating profitability.

Hyung Joon: Can you help us understand in terms of the liquidity, so you have in your press release said that I think 230 crores or 2.3 billion of cash and you have these right issues of another 3 billion, so with this saying 5-6 billion of cash and you are able to reduce fixed cost by 75% how much run way do we have in terms of number of months?

Nitin Sood: So the idea of doing this rights issues essentially to shore up liquidity ahead of time and so that we have enough liquidity to tide us till end of the financial year. If you really look at our leverage position has actually turned out to when what we were on 31st of March of 2019, we did a QIP in October and November beginning this year and had raised 500 crores of equity and we have taken an enabling resolution to raise 300 crores more of equity to ensure that we have enough liquidity to take care of fixed cost as we tide through these uncertain times.

Hyung Joon: Is there any guidance you have in terms of how many months the rights issue plus the cash you have available now would give you in terms of, based on your adjusted cost base in terms of your monthly run rate?

Nitin Sood: We would not like to give a specific guidance simply because there are lot of moving pieces right now in terms of our ongoing negotiations etc. but the idea is really to have enough liquidity on the balance sheet which helps us tide through these uncertain times.

Moderator: We take the next question from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: Two-three weeks back you had given a very good clarity on movie release on multiplex versus OTT, I wanted to understand now with lockdown opening up in all states and lot of the restaurants opening and malls also opening in many states. Now obviously there is much better visibility on cinemas also opening, although clear date is still awaited because this will be in the last leg of the opening up. Now my question is if I see Janhvi Kapoor's Gunjan Saxena is going to release on Netflix, so wanted to understand what is the current update because last three weeks further lot of news flow has happened. Why is this kind of movie Gunjan Saxena, Karan Johar's movie releasing on Netflix and any other update on releases you can share because the other multiplex guys said that most of the movies producers have said that we will release on multiplex? What's your stance on that?

Nitin Sood: Kamal you would like answer that, why don't answer, your question?

Kamal Gianchandani: I think it's a very good question and in your first part you answered the question while you were sharing the update on the fact that the economy is started opening and with respect to cinemas having been put in the third phase of reopening. So there is nothing more to add on that part. As far as Gunjan Saxena is concerned since we spoke last this is the first film in that interaction which has been announced to go back to OTT to a streaming platform. It's a midsize film and our response remains the same that while there are some producers who have

decided for different reasons for doing what they are doing. We have been lot of parallel conversations and producers are fully apprehensively committed to theatrical platform. But there are specific concerns issues that each producers faces. Unlike Western pockets, we tend to have a much smaller producers in terms of balance sheet, also we don't have an organized source of funding so a lot of producers end up funding their own productions with their own money or with the money that they have borrowed at expensive interest rate. So like I said there are different reasons why producers have taken these calls. But our point of view remains the same, overwhelming majority of our producers have come out and spoken vocally in theatrical distribution platform. Its almost 2.5-3 months now we are in 3 months since we have been in a lockdown mode and like you rightly touched upon there is still some—while things are becoming very clear in terms of reopening of the economy, there is still—just a little bit of uncertainty on the exact date when cinemas would be permitted to open and that could be the reason why some of the producers have considered going out and releasing their films on streaming platforms. But the overwhelming majority of our producers have decided to stay committed, not only they have spoken vocally about their support for theatrical but they have also come out and rescheduled their releases. So films like Coolie No. 1 which are absolutely ready, films like Sooryavanshi and 83 and these are of course the big ones but there is a long list smaller films like Lootcase, Sandeep aur Pinky Farar, Chehre, Chalang, these are mid-sized films which are almost ready but the producers and I'm not even going into regional films and Hollywood films which are releasing which are starting July which would be releasing and big numbers starting with Unhinged on 1st July, Tenet on 17th July, Mulan on 24th July. So the larger point is that overwhelming majority of producers has rescheduled their releases. US is opening cinemas so distributors have also announced exact dates when they are releasing films. As soon as we have some more clarity in India with respect to the exact openings, our distributors we have been having parallel conversations, they would come out and announce their release. But most of the films in fact majority I would say more than 95% of our films which was slated for theatrical release continue to be slated for theatrical release and it's a matter of time when they will come out and announce the theatrical release dates.

Abneesh Roy:

One follow up on this, if I see the FMCG or a Titan they are handholding their vendors or stakeholders or other parts of value chain through financing means, in your case I understand your balance sheet itself has some help which is needed and that's why rights issue. But something can be done at the industry level, the multiplex by supporting some of the marquee mid-budget movies, is that something which is possible, is some thinking happening on that?

Kamal Gianchandani:

Good question and it's a fair observation. Without delving into exact details because this is all sensitive commercial information I would only stop at saying that we are having some reconstructive meaningful dialogue with all our distributors and producers and both ends exhibitors and producer on the other hand have been extremely collaborative and we have not really come across in roadblocks as such. The only roadblock that we face today is some more clarity on the release, the reopening of cinemas but if we do face roadblocks we will be happy to look at those.

Ajay Bijli: Abneesh I am Ajay Bijli here. I would just like to add that India has the highest number of movies that get made here. So I am literally not just a blind optimist but I'm very sure that it is an aberrated period, our cinemas are closed and the producers are getting restless and some of them want to release their small movies just now. It won't make any difference in the long run because there is too much at stake of letting go up theatrical revenues. Theatrical revenues still contribute more than 60% of 70% of their overall pie of any content and after that only you are able to then monetize your content better if you go to other platforms. So I think it is too much at stake to give up on these revenues plus if you go to OTT straight away you also are letting go of your overseas collections and you're also letting go of your music rights. So I think sum total of it is a lot for people to forgo and because it's a period which is an exceptional period when we are shut these kind of decisions were happening. Once the business comes back to normal, it just doesn't make any economical sense for people to go out and sell to OTT directly and bypass the theatrical window as I said if nothing else for economic reasons which are in their interest as well not just in our interest. So this is a very exceptional period when we are shut, so if we are shut then obviously they need to monetize and do what they have to for the reasons that Kamal said.

Abneesh Roy: My last question is on rental, so other retail operators in other formats, not in multiplex, they are saying with malls still discussion is on. Now since you are shut and 2.5 months have gone, is there some clarity your and malls completely? So is there some clarity on rentals for the affected period?

Ajay Bijli: Pramod the light ones of that?

Pramod Arora: Yeah. We are engaged with all our development partners since the day of lockdown and the outcome has been reasonably positive wherein a couple of them have already come up and agreed to our plea or request of wavering off rentals during the lockdown and giving us a discount post lockdown up to the end of financial year and I would tend to believe that many of our other development partners would also follow the toe-line considering we have had exceptionally great relationship with all our development partners. So does that answer your query?

Abneesh Roy: Yes.

Moderator: The next question is from the line of Swagato Ghosh from Franklin Templeton.

Swagato Ghosh: A follow up on the rentals, can you just help us understand what has happened to the March rentals because we did not operate for the last 17 days but as I understand the rentals are paid up front, so was there any credit note given and how did we account for that?

Nitin Sood: Sure, I will answer that. As you rightly said we are one of the best paymaster or retailers in the country in terms of paying to our developers. Since the cinemas were ordered to shut down between 11th to 16th of March, we had almost paid full rentals for the month of March to all our development partners. Since the discussions are currently ongoing, we have still not received

formal credit notes from lot of development partners because we've still not reached at conclusion on our negotiations and we have not reached formal agreement stage. So currently being on a conservative basis we've already provided for what has been paid and as and when we get the credit notes on final settlement with the developers they will get accounted for.

Swagato Ghosh:

And there will be the same approach for June quarter also as well?

Nitin Sood:

Yeah, so effective 1st April we haven't paid any rentals. I think the June quarter we will revisit that based on whatever is required to be done from our accounting prudence perspective and by the time we get over with Quarter 1 we think we will have lot of reasonable clarity around the settlement with shopping mall developers.

Swagato Ghosh:

My second question is on your monthly OPEX burn I could derive that the current number is around 35 to 40 crores per month, can you help me understand what was this number in Jan or Feb, Jan would be the right month because there were 31 days, so what was the corresponding number for the month of Jan?

Nitin Sood:

If you look at our Q3 average I can't specifically give month wise number but if you look at Q3 fixed cost and excluding all the variable cost our Q3 average run rate of an expense including rent, CAM, electricity and all other overheads put together was about 140-142 crores which as like we mentioned we've cut down that cost by 70%-75%.

Swagato Ghosh:

I wanted some bifurcation of this because the rental is obviously something that you have not paid, so of the other expenses how much have we cut down, can you give some color on that?

Nitin Sood:

Our average rent and, CAM, bill per month would be about 65 crores odd per month, so 140-65 is roughly all other expenses put together.

Swagato Ghosh:

One small housekeeping question, this time in the presentation the comparable numbers are not there, can you quickly help us with those numbers for the quarter?

Nitin Sood:

The numbers are not comparable because we were shut down, so every single cinema was non-comparable because it is not operating for a similar period last year.

Swagato Ghosh:

So a quick follow-up to that is for Jan and Feb do we have any comparable numbers, YOY for the same period?

Nitin Sood:

We have but unfortunately we can't disclose monthly data right now.

Moderator:

The next question is from Jigar Mistry from Buoyant Capital.

Jigar Mistry:

My question was on a slightly broader level how does the management think about opening up because from the numbers that you just gave some of the cost which appear to have been cut will suddenly bounce back up once you start and decide to open up whereas on the revenue side few films might be accounting for a bulk of the revenue and F&B sales. So as

management how do you think on staggered opening once able, as of now we are not able but once we able how are you willing to do that?

Ajay Bijli:

Gautam you want to take this call, anybody can answer this. Do you want me to give it a shot...As Pramod said that rental cost is one cost, so we have negotiating with everyone till 31st March, all the developer so that that cost also becomes less. You are right the revenues are going to be subdued to begin with, so therefore that's one cost which we will try cut in. Also our operating expenditure on the manpower also will be much lower because again obviously if the footfalls are going to be less so the manpower required to meet the guests will be low, so all our costs are controllable and will ramp it up as we see business ramping up. So obviously we don't have any heavy fixed cost and even operating expenditures whenever business is going to be down. So as business ramps up, new movies start coming, people's confidence level goes up then we will ramp up our costs as well.

Kamal Gianchandani:

If I may add to what Mr. Bijli said, he has covered the important aspects. This is Kamal, you would also know that India is not exactly a homogeneous market like the Western developed entertainment economies. We have these regions, the regions which have their own dedicated film industry, so for example Tamil Nadu has a very robust Tamil film production, same for Telegu, Malayalam, Kannad. We release almost 1000 films in close to 12 to 13 languages and this is a unique advantage which only India has. So in context of your question with respect to stagger opening, the fact that we don't just depend on Hindi or English or any one particular language would come in really handy. As soon as we start getting commissions in markets and once we feel confident about opening to public in terms of having trained our people, having all the SOPs and protocols in place we would be very happy to go out because on the supply side supply of content will not be a concern because there are lot of ready films in almost every language. This is in addition to what Mr. Bijli shared with you.

Moderator:

The next question is from the line of Swati M from Comgest.

Swati M:

Just one clarification on accounting for the quarter, so rental expense you said you provided for whatever you already paid but still on a sequential basis it's still down, so there is some amount which was not paid and not recognized?

Nitin Sood:

No, what the situation is that in lot of our developer partners we have revenue share clauses because March was completely shut none of the revenue shares really kick in as a result of which you do not see any growth in rental expense. As I said we have a decent amount of contracts which have a low MG and revenue share. In a good month typically revenue shares would kick in but because of the shutdown of cinemas no revenue shares kicked in during the quarter as a result of which the expenses are lower.

Rahul Gautam:

I would just like to add to what Nitin said, last year same quarter, Quarter 4 was actually one of the biggest quarters for us. So a variable share in that period was significantly higher.

Swati M: Can I just follow up with accounting for ad-revenue and also the convenience fee because there is some long-term contract component in it, how are you accounting for those?

Nitin Sood: On advertising revenue I think we have accounted for advertising revenue till the time our cinemas were open clearly and we have not recognized revenue for the period we were shut down, similarly for convenience fee income.

Swati M: If you can tell us about the CAPEX plan for this year, there is one CAPEX which is discretionary, there is other CAPEX which is where more than 70% of the work must be done and then you just want to finish the projects and get the screens ready. So what is the bare minimum CAPEX one can work with?

Nitin Sood: As things stand currently all CAPEX remain suspended and I think any decision on restarting CAPEX will only be taken once cinemas are operational and we see occupancies back at cinemas. Also we will have to review the situation post lockdown to see some of the shopping malls under construction, they were will also likely to get delayed. Our first priority will be the finished projects which are 70% to 80% complete because bulk of the work is done. But we would revisit all CAPEX only once cinemas are open and we see things coming back to normal.

Swati M: Would you be able to tell us that how many screens are there where most of the work has been done, so at least there, there would be some incremental CAPEX?

Nitin Sood: We don't be able to give specific numbers but I can say between 20 to 50 screens are in fit-out right now and they are varying stages. Some of the screens are there just about to open. They are in a fairly advanced stage and some are mid to early stage of fit-out but approximately that number and we have had lot of scheduled handover which were due for this year. But I guess everything will have to be reviewed all over again once things come back to normal.

Moderator: The next question is from the line of Naval Seth from Emkay Global.

Naval Seth: I have questions on content release, you have been saying that content pipeline is strong and obviously outcome of discussions with the distributors and producers is kind of positive, have you got any firm date if at all hypothetically one believes that on 1st July cinemas will start operating? Which producer will take that risk of releasing as a first movie in the cinemas and nobody knows what can be the occupancy level or it will be done after few Hollywood movies are released seeing how the occupancy trends are?

Kamal Gianchandani: I think this is a very good question and while we can't speak for a distributor, producer because ultimately deciding on a release date is a prerogative of a producer and distributor. But what I can tell you is that studios both overseas and Indian studios remained extremely buoyant about the prospects of pent up demand once cinemas are admitted to open. The reason I said that is because US is opening end of June, there are some small chains which are opened in US but most of the large changed like AMC, Regal, Cinemark have decided to open the end

of June and one of rather which they picked and hold Tenet directed by Christopher Nolan who has been a massive supporter of theatrical platform, they have scheduled their film on 17th of July and before that on 1st of July there is another film called Unhinged with Russel Crowe which has been slated for release. These are firm dates which have been announced, if you Google, if you look at Internet you would find tons of information on their release dates. Immediately after Tenet there is a film called Mulan which is a family audience targeting film and this is being released by Disney. So clearly the larger point I'm trying to make is that studios have enormous amount of confidence that there is a pent-up demand, want to capitalize on it and which is the reason as soon as cinemas are reopening they have scheduled their big blockbusters, wide releases immediately after cinemas reopening date. Coming to India like I said we can't speak for the Indian producers, ultimately they will take a call on the release dates and in all fairness the producers, studios that we have in India are fairly small as compared to the US counterparts. As said there are two attitudes which are prevailing within the distributor-producer community, one attitude is that consumers will take time to warm up, they would like to see the safety protocols that cinemas have executed and once they get confidence from those protocols there would be enough and more positive word of mouth which will attract people in hoards and that's when they would like to release their midsized or big films. That's one attitude. Then there is second attitude where producers are thinking that this is an opportunity. There have been zero brand-new films for the last 3 months when cinemas reopen there would not be any backlog of 15 or 20 films which cinemas will have to carry forward is usually the case and a lot of people, lot of producers are seeing this as an opportunity and by without getting into names, some midsized, some big films are being targeted for in July or middle of August and as you know films are a national product so obviously producer would expect that majority of cinemas are open before they can schedule—I am talking about Hindi films, this point will not apply to regional films because they will be concerned only about their home state—but for Hindi films, a national product they would want majority of cinemas to be opened and that's the information that they are waiting for. There are enough and more people who are seeing this as an opportunity who look at what the international studios, their loads of massive experience of having released so many films in the past having observed audiences for such a long time having done so much of intelligence surveys, they have decided to release their big 10 old films immediately after cinemas reopens. A lot of local producers are taking confidence from that. Their attitude is as soon as they have clarity they will announce their release dates for India for their Hindi films.

Moderator: The next question is from the line of Sanjesh Jain from ICICI Securities.

Sanjesh Jain: Again a question, follow up on the content, I can understand in the near term we have a pipeline of content which will get released probably in the quarter once the cinemas are open. But more from probably a 2 or 3 quarters how many new launches are scheduled or how much producers will have conviction as of now to start a new production which will build up along pipeline for next 6 months to 12 months time and this will be significantly dependent also on how the shows goes in the near term that is whatever cinemas get released over the next quarter or so, so how do you see a longer time pipeline? I understand in a medium term that's concern over longer time I can understand there is too much of rentals here when I hear you

that studios will come back and we will have many more movies slot but the concern is more from the medium-term once the existing pipeline dries up, how do you see the pipeline of movies coming up for us?

Kamal Gianchandani: This is a good question and we had addressed it in the last call that we did specifically on the issues surrounding content. So I would repeating some of those points but one thing which I think we have to consider is that while cinemas have been shut down everything else also has been shut down. So which means that these 3 months when cinemas were shut down have been practically turned into gap month which means shootings have been delayed and those shootings now because the government given permission in most of the states to commence shooting in a controlled environment with all the safety precautions based and post production was permitted to start even for that, so work on producing, finishing unfinished films is already started. I think your question is more towards how soon will producers green-light new films and if they don't do that soon enough will there be an implication on the reason is maybe in the first quarter of this financial year or first quarter of next financial year.

Sanjesh Jain: Yeah that's right.

Kamal Gianchandani: Frankly we have to be in all humility, it's tough to say what all producers and actors are thinking. But whatever interaction we've had with the native community whether the actors or directors or producers, we have heard some very encouraging response. Again without getting into specific details but there have been cases where actors have committed to start—these were the ones which were committed in past as you know in most cases actors have a backlog, so they commit—films almost a year, year and a half in advance so those sort of commitments which were made there was an apprehension that there could have been delay in starting those projects that doesn't seem to be have optimum ground. Producers have made arrangements, there is enough infrastructures available in India, there is Ramoji Rao Studio in Hyderabad and I know one instance as an example where a fairly large film, the actor has decided to move to almost a week in advance to the studio and they have decided to stay within that studio. They have planned the entire production in the manner that they can complete the entire work within that studio and the studio has all the infrastructure, all the possible infrastructure that we need to complete a film. So actors are planning their films, producers are planning their infrastructure, shooting scheduled all their requirements in the manner so that they can go to one place, be there for those 40 days or 50 days or 80 days whatever it takes to shoot a film including quarantine days may be a week after they reach there, a week after they finish shooting. They would be at that place for those 2 to 3 months in which they finished the whole film, quarantine themselves for about 7 to 10 days and then returned to Mumbai to their families. So people are already thinking and making these sort of arrangements to ensure the work goes on and as you know film people even for actors, directors, creative talents they have a short shelf life nobody wants to lose out on 1 year, 2 year because you don't want to be out of sight, you don't want to be—if you have an opportunity to shoot which is fairly safe—actors, creative people will go for it is what our belief is.

Sanjesh Jain: My only apprehension is all these big budget movies which are happened in the international location, traveling international so much I think there could be a lull period for big-budget movies—I don't know how right I am—so that was the most important thing I was looking.

Kamal Gianchandani: That's a good point and my short answer to that is that yes, people are making alternate arrangements. It's unlikely that people would schedule shootings outside of India. That's highly unlikely. Most producers would prefer to shoot in India. But you also have to keep in mind that we have excellent special-effects VFX facilities in India. You can pretty much shoot a film or a scene in one room; you can have whatever background you want. You want that scene to look like as if it was shot in Paris or London or New York all of that is possible technologically and we don't see a problem in terms of scale, in terms of creative imagination being compromised, we don't see that happening because we have the infrastructure and the technical communication to deal with these challenges.

Ajay Bijli: Kamal also like to add like in the past also we have seen movies like Tanhaji and all which was the biggest blockbuster that year that was not shot abroad, so all big movies which are doing well, in fact all been shot locally only.

Kamal Gianchandani: Yeah that's right because they are so heavy on special-effects.

Ajay Bijli: Gone are the days when producers and directors only used to shooting out in London and I think the content is so varied now that they are basically very happy shooting in studio here now with all the facilities that are available

Moderator: Next question is from Arun Prasad from Spark Capital.

Arun Prasad: I have one question which is how much of your CAPEX has been already committed but it is yet to go out during the year versus the liquidity position, you already mentioned that 227 crores is the liquidity and my second request is that can you just break this liquidity into two parts where is the cash and undrawn committed bank lines?

Nitin Sood: As of now there is 227 crores liquidities almost all drawn. These are in balances of the company as on date. As far as committed CAPEX is concerned as I said we are in several projects which are currently under fit out, so committed CAPEX could be in the range of anything between 50 to 100 crores. But as I said we will have to review post things come back to normal, on which projects we will restart versus status of the shopping mall at that stage, whether the developer how much time we take to finish the shopping malls etc. So I would say while there is a commitment to do this and finish some of these projects I think all of that will have to get reevaluated depending upon how the situation evolves post cinemas start operations and once we come back to normal.

Arun Prasad: Can you just repeat the breakup of the 227 crores.

Nitin Sood: These are the bank balances of the company.

- Arun Prasad:** This is for entirely cash because its written undrawn committed bank lines also.
- Nitin Sood:** Yeah, so there is negligible undrawn committed line, this is by and large the cash and bank balance of the company.
- Arun Prasad:** And second question for me is that on the treatment of AS-116, there are two sides, I understand one is asset side and liability side and in the right to use asset side even if you don't pay rent for this quarter how will you account for it, you will still apply the depreciation just in these simple bookkeeping questions?
- Nitin Sood:** No, so effectively the AS-116 really needs to reevaluate effectively all your lease liabilities during the regular lease term and reexamine that. So depending upon what rental concessions we will get out for arrangements we will have the whole working will have to get recomputed and again that computation will need to get redone because of the amendments in the rental contracts. So according to that we will have to provide for it but yes the competition and the numbers could undergo a change based on what settlement we are able to reach with the shopping mall partners.
- Moderator:** The next question is from the line of Gautam Trivedi from Nepean Capital.
- Gautam Trivedi:** The question I had was I was reading article today in the Los Angeles Times, the LA Times and which said that most likely in California theaters will reopen probably by this Friday which is great. What it also said is that likely curbs on the social distancing will be 25% occupancy or a maximum of 100 people whichever is lower. Now I guess my question really to that effect is that here in India it will be state wise I assume that each state will determine how much will be the occupancy allowed in this new social distancing environment. As a result of that if it's not 25, maybe its 35, maybe its 40; I hope it's higher the better for you guys. But would that mean a potential increase in ticket prices for you guys?
- Ajay Bijli:** First of all there is a dialogue going on between the government and every industry as to how opening up should happen and the guidelines that we have given, they are not based on what's happening in California. The guidelines globally what is happening is that we have got staggered seating which is that if groups of 2-3-4 families in any case who are living together during lockdown, they go and only the adjacent seat has to be left empty and not the way California has done it. So therefore the total occupancy loss or capacity loss rather is not more than 25%, in any case there are studies now which have come out, which are very clearly indicating that in an auditorium the droplet transmission doesn't really happen because everybody is wearing a mask and they are not talking to each other. So I think the people behavior in a social environment is also playing a very big role of this virus transmission, so various epidemiologist have come out with studies that you are looking at the screen and people don't talk in the auditorium in cinemas as opposed to other places. So keeping that in mind I think even if we have a loss of 20%-25% that's okay because that's the weekend is where bulk of our audiences come and during weekdays in any case we don't have very high occupancy. So we will be skewing our pricing in such a manner that the gap between the

weekend pricing and the weekday pricing is not much, it's spread out more and therefore we don't have to increase the price for the capacity loss at all.

Sanjeev Kumar:

And also just to add that these are all temporary measures I mean what capacity issues and all the rest of it. In the malls and restaurants right now we have capacity restrictions or airlines have their own set of guidelines and maybe it's a central issue and not just a state issue because all the industries have given a blanket guidelines as the airlines, restaurants, hotels so I think that will follow for us as well and it will be temporary, so week on week everyone will decide for what's going on and then open up the way we are opening up the entire economy and the whole idea is to open up everything in due time.

Gautam Trivedi:

The other question I had was with respect to I guess the company that's been in the news for the past 6 to 7 weeks is Jio and their talk about potentially releasing their movies on the same day. Now I know this is being done to that and you sort of addressed this in the past but the question I had was with more to do with domestic movie producers and what is their view? I am sure you had multiple conversations to figure out if they are in favor of releasing movies OTT on day one itself?

Kamal Gianchandani:

I will jump in and I will try and address this question. I think the important thing is to look back and see what's really happened in these last 3 months and in spite of all these speculations and a lot of media coverage on this platform, only three films and I am including Gunjan Saxena in this count, three Hindi films have gone straight to OTT and then there are in addition to these three films, there are about five more films which are all or mid-sized Tamil, Malayalam films which have gone straight to OTT. Given the fact that PVR as a team releases close to 1000 films every year and with full respect to these films, without being disrespectful to any of these films, it's a very-very small number; our films which have decided to go straight to a streaming platform; like I shared earlier overwhelming number of producers have come out and open in support of theatrical platform and not just that but they have also rescheduled, they have delayed their films, they have agreed to reschedule their films as soon as we have more clarity on reopening of cinemas. In terms of new technologies or new concepts, I mean Jio is a fantastic company and what they have done in this country makes every country person, every countryman and women feel proud. But that said cinema as a format has risked to lot of competition right from the beginning. So it's not just been competition from technologies and there have been several technologies that cinemas have had to compete with, we have had television, VCR, streaming now. Of course there have been terrorist attacks one after another, there have been epidemics in the past, not in India which impacted cinema business but internationally there have been epidemics which impacted cinema business. There have been World Wars and each time there has been crisis, cinemas have emerged much stronger from those crises and so linking the two I'm talking about COVID as a crisis but I'm also trying to address your specific question on Jio first day first show. As far as the perspective of producers is concerned, I think it's loud and clear from their actions. Producers don't really have to wait for Jio to launch their first day first show, they already have that opportunity in other streaming platform and very few films have decided to

go straight to OTT, majority of films, large section of films 90%-95% of our films have decided to wait for theatres to reopen and then release the films.

Moderator: We take the last question from the line of Nirbhay Singh from Macquarie..

Nirbhay Singh: I have just two questions; one was on the follow-up on terms of perhaps limiting the capacity in terms of viewership. How do you see that impacting your revenue in terms of box office collections from a movie because earlier most of the collection used to happen in a week, what will happen now and does it impact your cost in that sense?

Kamal Gianchandani: I will take this question and if my colleagues want to add they would also add to the answer but like Mr. Bijli and Mr. Kumar mentioned earlier we already have enough and more capacity to deal with any constraints which are suggested by the government, which are advised by the government. The specific case of 25% restriction on seats, California example which one of the earlier speaker had mentioned; I would like to add to that Californian government has also clearly announced that these are temporary measures and within two weeks we will be revisiting this capacity cap because in US as you know it's a state issue. Most of the state have offered a 50% capacity cap on cinemas, California because they have had more infections in terms of virus they have gone in with 25% capacity cap but they have also assured the cinema exhibition touch free that they would be revisiting this cap within 2 weeks and most people are expecting it will go up to 50%. Now that's in US which is a saturated market in terms of cinema screens. In India we have much lesser number of screens and which is why we have gone to the government and we have explained them that this is the protocol that we would like to offer in terms of distancing within the auditorium which is to keep one seat empty after every customer group. It's possible that some of the states may come up with a higher restriction but at the same time we also are hopeful that most of the states will accept our recommendation but even in some states if they come up with a higher restriction, we have the ability to spread films over more number of auditorium and also we can spread them over more number of weeks. So earlier if films were opening big with full capacity they were also tapering off very-very quickly; barring a few films which were having a long run at the box office, most of the films used to taper off after their first weekend or maybe after the first 4 or 5 days. We expected change in this behavior because we expect a lot of customers to self-select and distance themselves from weekend to weekdays. Weekdays are known fact that cinemas operate at a very low occupancies, customers are also very well aware of this fact and a lot of customers we believe would self-select and would like to place themselves on a weekday, they will like to change their behavior. Instead of coming on a weekend they would prefer coming on a weekday. So with some changes, with some support from customers, with the capacity that we have even in states where there is a higher capacity cap then what we have proposed to the government, we would have absolutely no problem in tiding over, we would be able to do full justice to each film's potential and capability.

Nirbhay Singh: Just one just quick follow-up question just in case God forbid if there is a COVID case happens when you are operational and one of your staff or whatever happens then what is the

thought of the government on that point; does it again get into a shutdown mode or what happens?

Gautam Dutta:

Basically whatever little that we have got to know while no official communication on this regard has happened, the cinema if it all this happens, if the establishment is supposed to shut down and all employees would be tested and what we are also creating is a back up team for every city so technically all employees could move out and we would have a backup team for every unit, every city. One complete team will be made and they take over and the cinema reopens, once this testing and all sanitization is back in place.

Moderator:

The last question is from Jignesh Kamani from GMO.

Jignesh Kamani:

As you said there will be 20% to 25% effect on the occupancy to follow the social distancing norm I believe it will be mostly on the Friday-Saturday-Sunday where we have a high occupancy and less on the weekday. So what percentage of our revenue for the last year came from the Friday-Saturday-Sunday where the occupancy was on a high only that part can get impacted?

Kamal Gianchandani:

Firstly I would like to correct you that we are not expecting a 25% capacity cap in India while we don't know what government would suggest and advise us but that's not what we are expecting in it. Nitin over to you to answer the second part of this.

Nitin Sood:

If you look at our average occupancy of roughly about 35% that we normally achieve in a year, it's a mix of healthy occupancy on a weekday and weekend. Our average weekend occupancy varies between 50% to 55% and our average weekday occupancy is—I am now giving countrywide—average between 25% to 27% as a result of which we achieve our average occupancy of roughly between 35%-36%. So like Kamal mentioned some of the people will probably shift on weekday, we anyway don't have a concern, we have enough capacity available. It's quite possible that some of what we lose on a weekend even with the restricted capacity, people will switch to a weekday and the focus will be how do we create and give a good environment in the cinemas, make people safe and secure in the first 60-75 days so that they get a confidence to come back. All of this nobody knows the real answer on how this will evolve but our sense is whatever social distancing guidelines in a every establishment will start with, will get reviewed every 4 weeks and will get relaxed depending upon how the situation evolves.

Jignesh Kamani:

My last question is on the F&B part and advertisement revenue. Since people will be wearing mask and there will be fear of you can say that. Will F&B revenue will drastically get impacted because of the wearing of mask and anything and if you take on advertisement many of the companies have cut down their all the cost in the advertisement. So that will also get impacted drastically in next 6 to 9 month?

Management:

Not really, first and foremost on the F&B part while there will be precautions and people you are right would be wearing mask but it's not that the consumers aren't really sitting and talking

to each other. So self-consumption is something which we see will continue to happen and while it could be restricted, there are other areas of F&B that we are working on where we are digitizing the entire consumer journey where he could order himself, pay himself and that would be a huge confidence booster to say that I am in a place which is completely sanitized, clean and whatever I am consuming is absolutely safe and healthy. So we believe that it could be slow, yes you are right in the beginning but given the fact that all these precautions are being taken and the entire assembly line and the delivery chain is being modified, we believe we will be able to garner that kind of confidence and see consumers coming back and eating as much they were eating earlier. Now on the advertising end again what you said was right, at one end there is suppression in the market but on the other what we are also seeing is there are clients which are very-very eager to advertise simply because they have huge inventory, whether it's retail, whether it's fashion, whether it's electronic they have just got tons and tons and hoards of stuff which is lying, which they need to get rid of. So these guys have all been starting to talk to us, already wanting to come back and advertise because this is a medium that really connects with the consumer and often we have proven without doubt that it helps to move inventories very-very effectively. So we believe as occupancies will grow, as confidence comes back in about of a couple of weeks of opening, advertising and F&B both should be on its step up and within a span of about 2 months we should be able to get all the numbers back.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Ankur Periwal for closing comments.

Ankur Periwal: Thank you everyone for joining in for today's call. Kamal, Nitin will you like to add any final comments?

Nitin Sood: I just like to say we may not have been able answer to everyone on this call but if any of you have any follow-up questions or want any specific answers you can reach out to either me or Rahul and we shall be happy to address your queries. Thank you for taking out time to join the call.

Moderator: Thank you very much. On behalf of Axis Capital that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.