

12th May, 2022

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051
Fax: 022-26598237/38

BSE Limited
Corporate Relationship Department
1st Floor, New Trading Ring,
PJ Towers, Dalal Street,
Fort, Mumbai - 400 001
Fax: 022-22723121/1278

Company Code: PVR / 532689

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 5th May, 2022 and 9th May, 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 "PVR Limited Q4 & FY2022 Earnings Conference Call" on 9th May, 2022 and link of the audio recording was shared vide our above letter dated 9th May, 2022.

Further, in continuation to our above communication, we wish to share the below amended link of audio recording of conference call for analysts and investors. The said audio recording is also available on the website of the Company.

<https://www.pvrcinemas.com/corporate>

Please also 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
Mukesh Kumar
SVP - Company Secretary
& Compliance Officer





“PVR Ltd. Q4 & FY22 Earnings Conference Call”

May 9, 2022



**MANAGEMENT: MR. SANJEEV KUMAR – JOINT MANAGING DIRECTOR,
PVR LTD.**

**MR. GAUTAM DUTTA – CHIEF EXECUTIVE OFFICER,
PVR LTD.**

**MR. KAMAL GIANCHANDANI – CHIEF OF BUSINESS
PLANNING AND STRATEGY AND CEO, PVR PICTURES**

**MR. NITIN SOOD – CHIEF FINANCIAL OFFICER, PVR
LTD.**

MODERATOR: MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED



*PVR Limited
May 9, 2022*

Moderator: Ladies and gentlemen, good day and welcome to the PVR Ltd. Q4 and FY22 Earnings Conference Call hosted by Axis Capital Ltd. 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, Aman. Good evening, friends. Welcome to PVR Ltd.'s Q4 and FY22 Post Results Earnings Conference Call.

As usual, the call will be initiated with a brief Management discussion on the Q4 and full-year performance followed by an interactive Q&A session. The Management team will be represented by Mr. Sanjeev Kumar – Joint Managing Director PVR Ltd., Mr. Gautam Dutta – CEO PVR Ltd., Mr. Kamal Gianchandani – Chief of Business Planning and Strategy and CEO PVR Pictures, and Mr. Nitin Sood – CFO PVR Ltd. Over to you, Mr. Kumar for the initial comments.

Sanjeev Kumar: Thank you. Dear all, I would like to welcome you all to the earnings call to discuss the audit results for Q4, 12 months FY22.

I hope you have had the opportunity to review our presentation and results, which have been uploaded on ours, as well as on the stock exchange website.

The year gone by, hopefully, marks the end of disruptions on account of COVID. The third wave of COVID that started in the last week of December 2021 was the shortest in duration. The infection positivity rate peaked in mid-January 2022 and came down drastically by the end of January 2022. All the states and UT's implemented restrictions around capacity and night curfews, which impacted cinema operations. This time around, except for Delhi and Haryana, no other state mandated complete cinema shutdown. By the end of January 2022, the states started to withdraw restrictions and by the end of February 2022, almost all restrictions had been done away with. As on date, all restrictions have been lifted across more than 99% of screen portfolio.

Release of new blockbuster contents, which had started from first week of November abruptly stopped as soon as fresh restrictions were announced in the end of December. There was no fresh content for the month of January and for a large part of February. Release of blockbuster content resumed from the fourth week of February namely Valimai, Bheemla Nayak, and Gangubai. This was followed by The Kashmir Files, which was a sleeper hit, RRR and Batman in March 2022. Consistent flow of new content ensured that admissions in March touched the post pandemic peak of 90.6 lacs, an increase of about 38% over December 2021 admissions.



*PVR Limited
May 9, 2022*

The Company was gearing up for a stellar Q4 when the third wave came upon us swiftly. It was difficult for the Company to pare down its fixed cost primarily because almost all the cinemas were operational and secondly because we realized that the recovery from this wave would be equally swift.

The Company witnessed operational losses at the EBITDA level for the month of January and February followed by strong profitability for the month of March with EBITDA margins in excess of 20%. The Company opened 29 screens across 5 properties in FY'22 and also closed 23 screens across 9 properties on 31st March where leases had expired. A 6-screen multiplex in Rourkela was the first cinema that the Company opened in FY23. It marked PVR's foray in the state of Orissa. The Company plans to open 120 to 125 screens in FY'23. Most of these will become operational in the latter half of the year and 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 74 cities in India and Sri Lanka.

On the results, please note that the numbers I'm sharing are after adjusting the impact of Ind AS 116 relating to lease accounting and are different from the reported numbers we submitted to the stock exchange today.

For the quarter ended March 31, 2022, total revenue was Rs. 554 crores. EBITDA loss was Rs. 18 crores and PAT loss was Rs. 96 crores as compared to revenues of Rs. 191 crores, EBITDA loss of Rs. 118 crores and PAT loss of Rs. 272 crores for the quarter ended March 31, 2021. For the 12-month period ended March 31, 2022, total revenue was Rs. 1,409 crores, EBITDA loss was Rs. 155 crores and PAT loss was Rs. 419 crores as compared to revenue of Rs. 310 crores, EBITDA loss of Rs. 424 crores and PAT loss of Rs. 666 crores for the 12-month period ended March 31, 2021. We continue to keep adequate levels of liquidity on the balance sheet with over Rs. 667 crores as on March 31, 2022.

A quick update on the proposed merger with INOX Leisure Limited, which was approved by the boards of the two prospective Companies on 27th March, 2022. The Company has filed the draft scheme of amalgamation with BSE and NSE on 30th March 2022. Approval from the stock exchanges and SEBI is awaited, post which the scheme will be filed with NCLT.

To conclude, I would like to thank all the stakeholders for their unwavering commitment and support to the business. With a strong pipeline of content that is available for release over the next several months, we are very confident that the business will continue to perform strongly and FY22-23 will be a bounce-back year for the cinema industry.

With these opening remarks, I open the platform for any Q&A's. Thank you very much.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.



*PVR Limited
May 9, 2022*

Abneesh Roy:

My first question is on the recent box office performance especially in the non-south market. So, all the key movies like Heropanti, Jersey, Runway 34, etc. have decent star cast and also in terms of marketing, they have not really been behind, but still the revenues have been well below expectation and in the past we have seen that when a slew of flops are there then consumer would like to wait and the behavior becomes more of wait and watch rather than rushing to watch movies. So, do you see that risk? I understand every week we have a few movies releasing because of the pent-up lineup, but still so much of back to back-to-back disappointments, is that a concern?

Kamal Gianchandani:

Before Heropanti, Runway 34, Attack, we also had Kashmir Files, which performed beyond our wildest expectations. Even the most optimistic expectations were beaten by a huge margin. It is one of those classic sleeper blockbusters and it's a film in Hindi and Gangubai, this whole season of getting audiences back to the big screen started with Gangubai and that was released in February, but fairly close to April period just right at the beginning of the season of movie season and again there, although it was led by a female actress, but because the director is popular, well known, it was able to attract people and again the film exceeded the expectations. You would have normally expected Rs. 70 to 80 crores sort of a net box office. The film went on to do almost close to Rs. 150 to 160 crores. So, our business is of peaks and valleys. There would always be surprises. There would always be films, which will surprise us on the negative side, on the downside and then there would be films, which will beat our most optimistic expectations and surprise us on the upside. That's the nature of our business. No one thought KGF will turn out to be the second biggest Hindi film all-time after Bahubali 2. Kannada films as a regional language has never even been in the reckoning. It's always been Tamil or Telugu and Telugu more so because of Bahubali and Mr. Rajamouli, but no one thought Kannada films would be able to beat all other regional languages and a film dubbed in Hindi will turn out to be the second highest collecting box office ever. So, that's the nature of our business. I think the good news is that people are back in cinemas in a big way. I would spin this argument and give you another perspective that if a dubbed film with a somewhat unknown star can do Rs. 400+ crores box office in Hindi dubbed and I am talking only Hindi. I am excluding all other languages Kannada, Telugu, Tamil, Malayalam then you can imagine when a Hindi film, which is rooted in Indian ethos, which tells a story, which resonates with a large number of people and which has a popular face at the helm, it could be Brahmastra, it could be Lal Singh Chaddha, it could be any other film, which is coming. It could very well be Prithviraj. So, you can imagine what is the potential of a Hindi film, which resonates with a large number of people and which has a popular face. I think the whole perception that we had that this is the maximum ceiling, all of those perceptions and myths have been broken and what we are seeing in April and before that in March, these are very positive developments.

Abneesh Roy:

Just one last, very small followup there. So, you mentioned Gangubai, Kashmir Files and the dubbed movies of South India, those are differentiated content or more of masala movies? So, essentially movies which are not doing well in Hindi those are more of a metro kind of an



*PVR Limited
May 9, 2022*

audience, so do you see now producers addressing that bit because clearly mass masala those kind of movies seem to be working rather than too much of a SEC A1 kind of a content, so would you agree to that and would you see content getting addressed? I understand some movies are coming, which would be more of Indian ethos, but do you see that as key reason why some of these movies did not work?

Kamal Gianchandani: So, Gangubai is not a masala film. It's your SEC A+, it's what you call typically a multiplex film. Batman dubbed in Hindi is targeting multiplex premium audience. Doctor Strange, which has turned out to be the second-highest weekend after Spider-Man since we've reopened theaters is a premium audience, premium segment film and Doctor Strange is not just done well in the original version, but the Hindi dubbed is also done exceedingly well. So, we've had examples on both sides. I think where you are right in saying what you're saying is that the results are polarized. Films, which are doing well are doing exceedingly well. Films, which are struggling at the box office are struggling more than expected, but off and on, we've been half shut, half open for the last 2 to 2.5 years. There would always be some unpredictability in terms of content that people like and would like to come out and watch it in theaters, but I think it's a matter of time when it will settle down. Right now all sorts of films are doing well. We don't have this concern that only these potboilers, commercial films, over-the-top flight films as we call them are doing well. That's not the concern at all. In fact, we see that as a positive.

Abneesh Roy: My last question is on Sri Lanka. So, 8.7 crores forex impact. So, my question is what would be your expansion plans in Sri Lanka next 2 years and in the FY23 period how do you see the high inflation and low electricity, those 2-3 issues are there in Sri Lanka market, so how do you see the profitability in Sri Lanka in FY23 given the current context?

Sanjeev Kumar: As far as this year is concerned, it's wait and watch. Let's see what happens, both to the economy and where the economy is headed. We obviously hope that things get better and improve. The months that we were fully operational, we did fairly well. We had over 20% EBITDA margin. We got a lot of support from the developer there, which is a far eastern group called Shangri La. So, we are getting a lot of support and sops from the developers. They're very understanding, both with respect to the pandemic and now what's going on with the economy. So, we're just waiting and watching. Let's hope that things get better in the next 6 to 8 months and the business bounces back. As of now, we're just focusing on this one property and seeing where things go and not looking at any expansion yet.

Moderator: Thank you. The next question is from the line of Aaron Armstrong from Ashmore Group. Please go ahead.

Aaron Armstrong: Firstly, in terms of ticket pricing, the trends were very strong last quarter. Could you talk about the outlook for that for the coming quarters, please? Whether it can remain at these elevated levels? Secondly, in terms of on the rental side, such an extensive reports of more operators



*PVR Limited
May 9, 2022*

looking to catch up some of the revenue that they lost during lockdown. If you could give any comments on that side of things in terms of whether you will be paying any kind of catch up elevated revenue to landlords. Thirdly, any kind of timing you could give around merger completion and the approvals that we are still waiting for, how long you think that could take?

Gautam Dutta:

I'll take the ATP answer first. Technically, we've been out of business for over 2 years. So, whatever growth we have taken on ATP is largely on account of inflationary cost at all ends going up and now that we've been operating at whatever rate we intend not take any pricing up. This is largely going to remain where it is, and we are wanting to maximize footfalls as we go further. There is a complete acceptance as far as the new ATP norms are concerned and technically no plans to take the ATP up and it will remain at the same level, but we are very confident that we will be able to maximize footfalls with this strategy going forward.

Nitin Sood:

Aaron on your second question about the rental catchup, bulk of our deals, I would say 98% to 99% of our deals had limited time period long-term discounts available to us during this 2-year period of pandemic. There is no catch up on rentals with most of our landlord going forward. There could be one or two exceptional cases where we may have some bit of a higher revenue share during the next 12-month period, but I would say 97% to 98% of the cases, there is no rental catchup and effectively we are going to pay fully contracted rentals in accordance with our contract now, which we have also done in the month of March as we came back to full operations. Last question was on merger and timeline. I think we can only share indicative broad timeline because part of it is not in our control, but just to explain, we've filed the scheme post the announcement with the stock exchanges for approval on 30th of March. This process normally takes anywhere between 2 to 3 months before you get approval from stock exchanges and SEBI. Post that you file the scheme with the National Company Law Tribunal, which I understand the process could be 6 to 8 months. We think that we should be able to manage the whole process indicatively in a 9-month window as things stand. So, hopefully in beginning of Q4, we should see the merger formalities being completed. That's the indicative timeline that we are looking at that end of December or some time in Q4, hopefully, we should be able to complete all the legal formalities with respect to the merger.

Aaron Armstrong:

Can I ask one followup please just on the merger timeline. So, the process of the merger not requiring certain approvals because the 2 Companies now fall below the minimum revenue threshold due to the pandemic lockdown. Do you think that that's something that the regulator will view favorably and in which case you have a very high level of confidence that this will be approved in the 9-month window or do you think there could be some ambiguity, there could be some pushback from the regulator and in which case it could take more time or there could be a small probability that the merger doesn't go through?

Nitin Sood:

To be honest, it's quite hypothetical. When we announced the scheme, we said based on the advice that we've received from counsels, we don't believe that this requires any competition



*PVR Limited
May 9, 2022*

regulatory approval based on the thresholds that we have. If we hear anything from the regulator, we will adequately respond to them. So, it's slightly difficult to comment right now. We haven't heard anything as yet from the regulator, if any, and if we do hear back, we would respond to that. And yes, in that case, the timelines could get impacted, but it's quite hypothetical at this stage for us to comment.

Moderator: Thank you. The next question is from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Just 2 questions. One is just to get some clarification. The 20% margins which you called out for in the month of March, they were pre-IndAS right?

Nitin Sood: Yes

Prateek Poddar: And given that these are pre-IndAS margins, I am assuming that the ad spends recovery in the month of March, that would be very good versus pre-COVID, that's a fair understanding? And also if you can comment on the forward outlook for that?

Nitin Sood: Ad spend recovery in the month of March was not even 50%.

Gautam Dutta: It was around 40% of pre-COVID and it would take a quarter at least for us to get back within the pre-COVID numbers. So, we believe that the journey on recovery is another 3-4 months away where we could start to look at similar numbers around pre-COVID.

Prateek Poddar: And then what explains 20% margins in the month of March?

Nitin Sood: Very strong footfalls at the cinemas.

Gautam Dutta: Controlled cost, very good foot falls, ATP was strong and so was SPH.

Prateek Poddar: And would your exit SPH and ATP be higher than your Company average SPH and ATP for the quarter? That's a fair understanding for the month of March?

Gautam Dutta: Yes.

Moderator: Thank you. The next question is from the line of Harpreet Shah from Deep Research Capital. Please go ahead.

Harpreet Shah: Just wanted to know what kind of revenues we were generating from the properties, whose lease expired, the 9 properties?



*PVR Limited
May 9, 2022*

- Nitin Sood:** The Cineline properties, which we closed contributed approximately 2% of our revenues pre-pandemic and a similar contribution to the earnings.
- Harpreet Shah:** And they have restarted the cinemas under new brand, right?
- Nitin Sood:** Correct.
- Moderator:** Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.
- Jinesh Joshi:** If you could talk a bit about your tie-up with Oma Cinemas, will we have to pay any kind of royalty for design know-how and also given the fact that these cinemas will have a pod concept, will it result in any kind of loss of seats, and lastly if you can also share what can be the CAPEX per screen over here? will it be materially different than what we have for premium screens?
- Sanjeev Kumar:** It basically just the upfront cost as far as I know. We just concluded the deal with them and I think ideally we won't want to look at a conversion at this stage, a conversion of the existing screen is very-very new and very on the layout right now. We are just evaluating various options and various places where we can introduce this concept. So, we don't know for sure if there will be any seat losses or there will be impact, will we be able to manage to get more seats or better seat efficiency because we really haven't even started working on the layouts yet, but we would look at probably introducing this in a new multiplex and not on a retrofit. So, in a retrofit, you may have those worries of losing seats, but in a new project, we will be able to accommodate the formats and at the same time not lose any seats.
- Jinesh Joshi:** And the CAPEX part and also the design part with respect to royalty and all?
- Nitin Sood:** In this case, this is an architectural concept. There is no long-term royalty payable. We will be paying them for their services for designing the unique concept and putting that in place for each property level. So, there is no long-term financial impact apart from exclusivity in being able to introduce that Concept for the Indian market and currently I think it's a fairly early stage where we are going to identify a location and then our developer designs concept, which can be executed in that location.
- Sanjeev Kumar:** It is also in the early stage to even determine the CAPEX per screen, as we have said we have only inked the deal not even 10 days ago.
- Jinesh Joshi:** One last question from my side. I think you opened the first multiplex in Orissa sometime back. Since we have debuted in this state, what steps are we taking in terms of branding and any specific reasons as to what it took you so long to enter this market, was it lack of malls or any specific reason which you would like to highlight?



*PVR Limited
May 9, 2022*

Sanjeev Kumar:

Rourkela was actually signed with a very established developer, Forum group based out of Calcutta and of course from signing to opening takes a while any which way, and of course you said rightly, it was bereft of any retail development for the longest time, but the first and the best mall that came up in Rourkela, Forum Mall, we signed and which invariably got delayed by 2 years because of the pandemic. So, we had started work on that property 2 years ago before the lockdown and then we restarted post opening, both the mall and us we started work when they stopped and obviously then we managed to complete it and open it in April and it is showing good numbers initially from within less than 4 weeks since we have opened it now and it's showing some promising numbers and we have another one coming up in Rourkela. We have not started yet. We will start work there as well in a couple of months' time.

Jinesh Joshi:

Sir, one small clarification, this Rs. 8.7 crores of loss that we have reported from Sri Lankan operations, is this non-cash charge or actual cash loss?

Nitin Sood:

This is a non-cash charge, part of our investments into our 100% subsidiary are structured in form of a foreign currency loan and as a result of which, we need to book a reinstatement loss on the loan as the currency depreciates. So, this is a non-cash charge. This is only an accounting charge required.

Moderator:

Thank you. Then next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain:

Two questions from my side. First on the ATP. So, INOX has reported their numbers, just comparing the 2 companies, there is a divergence in the way how the ATP is viewed. The ATP has improved for us while for INOX, it has declined on a sequential basis. Can you explain and help us understand the ATP increase for us? Is it that we have taken a price increase and INOX has moved with the similar pricing, what is the reason for the ATP because the SPH, we are on the same front as they are, so can you just help us understand the ATP and if you have taken the price hike, what is the kind of price increase you have taken?

Gautam Dutta:

So, let me correct you here, even the SPH growth for PVR is much healthier than what the competition could manage. So, on both the ends, be it ATP and SPH, I think we've been able to record slightly better numbers, but now coming to your question on ATP. ATP is actually a blended mix of what the operators manage with content, timing, premium versus non-premium and the kind of content that plays out better within the circuit. So, I think PVR could manage a healthy mix between the premium offering to our consumer and could maximize on that part of the game and I think SPH as well, we have been consistently working on this piece and managed to record a good healthy number and we feel that we are here to now stay and it will only get better from here.



*PVR Limited
May 9, 2022*

Sanjesh Jain: So, what I understand is that we have not taken price increase. It is just a mix and the mix is more towards premium and going forward, this is the ATP we should be looking at even for FY23.

Gautam Dutta: Yes, the only thing, as I said, sometimes the kind of films that do well, the mix of Tier-2 and Tier-1 market mix, for us South performed well. So, each chain has its own strength and the way they program content has a bearing on ATP because an average ticket price is a blended answer to what we have managed to do with ticket prices and for us, that formula has kind of worked a little better.

Sanjesh Jain: Second question on the distribution margins, again, there a divergence trend between the 2 player. For us, on a sequential basis, the margin has declined, while for the competition, it has increased while we have done better on the ATP side, but the flow through has been slightly inferior for us. What explains that?

Kamal Gianchandani: We would not like to comment on the comparison because this is all sensitive data and information that we would not be comfortable sharing on the public platform. I would only say that in Q4 because January and February were disrupted months where cinemas were open, but new content was not really coming. Very difficult to analyze it the way and the manner in which you are looking at it. I think if you wait for another quarter, look at April, May and June period, which is Q1 of the current financial year, you will get a better sense of where the film hire and the other comparative variables are moving.

Sanjesh Jain: But just to understand for the next year for PVR, how should we look at the distribution margin? Should it settle to the historic pre-COVID levels, will that be a fair assumption or for the time being, we will accommodate as we said earlier because they have waited a lot for the movie releases, how should we look at distribution margin for FY24?

Kamal Gianchandani: So, the accommodation strategy, it has stopped in March. We're back to historic levels as far as the sharing percentage goes. The only moving part now is because we have variable sharing percentages in different languages, what I mean is in Telugu, Tamil, Malayalam, Hindi, Punjabi, Hollywood films, we have a different sharing arrangement with the distributors. So, depending on which language performs better, the blended film hire percentage could vary, but the sharing percentage, we are back to historic levels.

Sanjesh Jain: The maximum shows per day in April, are we back to the 4.7-4.8 shows per day and the entire inventory is available now with the normalization?

Kamal Gianchandani: Yes, we are back to our normal average shows and I think the average is slightly higher than 4.7, it is 5+ and except Jammu where we have a capacity restriction in India, no other state has any capacity restriction and of course in Sri Lanka, there is a small restriction of capacity. We are



*PVR Limited
May 9, 2022*

permitted to sell 75%. So, apart from that, within a chain, there is no restriction in any other state or any other territory.

Sanjesh Jain: On the distribution business, you did mention in the previous call that we will be stepping up on that business side on the film distribution, how are we looking at the film distribution business for FY23?

Kamal Gianchandani: So, we continue to build on our distribution business. It saw a sharp recovery in financial year 22. We were fortunate to have a couple of films releasing, couple of big films, which came out theatrically. We were able to move a lot of our Hollywood foreign language inventory to various streaming platforms and television stations. All of that resulted in a very sharp recovery in our distribution business. We were pretty much back to where we were pre-COVID. We could have done better if there was no COVID impact in the beginning of calendar year 2021, we could have done better in terms of top line and most likely bottom line, but I think we made a very sharp recovery given that exhibition was still struggling. We are extremely buoyant on distribution business. We are getting many opportunities. Fortunately, PVR has a very strong brand equity amongst all content partners. We are seen as a very solid distribution service platform. We get many opportunities. So, it is our endeavor to scale up this business manifold and you would see a lot of action, a lot of steps in that direction, but we would speak more about it as we move forward.

Moderator: Thank you. The next question is from the line of Vipul Garg from Kotak Mahindra. Please go ahead.

Vipul Garg: Sir, actually you told that you would be going for a CAPEX for about 120 to 125 screens during FY23. So, what would be CAPEX amount for the same?

Nitin Sood: Our annual CAPEX outlook this year will be between Rs. 350 to 400 crores on new built screens plus also maintenance CAPEX on the existing screens. So, we are looking at annual outlook of anything between Rs. 350 to 400 crores this year.

Vipul Garg: And what would be the debt levels? At present Rs. 1,400 odd crores?

Nitin Sood: Gross debt is about Rs. 1,500 crores, net debt is about Rs. 900 crores.

Vipul Garg: And would you be able to share the debt and cash numbers for INOX also?

Nitin Sood: I can't comment on INOX numbers as of now. In public domain, you can refer to their website.

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



*PVR Limited
May 9, 2022*

Harit Kapoor:

I just wanted to check on 2 things. One was during the pre-COVID period, you had made certain structural cost saving measures across the OPEX line, at that point, I think you had mentioned that ex-rent you are looking at a like-to-like cost reduction of about 10% across all lines. Just wanted to know, in the current context, where the inflationary environment would probably hit the employee cost line and you would have to ramp up costs, does that like-to-like 10% reduction number still stand or it would be lower in a fully operational business?

Nitin Sood:

Fairly valid point you have said and if you refer to slide #18 of our presentation, which basically shows an outlook of how we have been managing our costs so far. I think even in Q4, let's start with the people cost, our average run rate of cost in FY20 on people cost was roughly Rs. 100 crores a quarter, which in Q4 this year is Rs. 81 crores, is still 20% lower. We have kept our headcount low as compared to pre-pandemic and we are reasonably confident that we will be able to operate next year on a same store level a lower headcount than what we are operating in pre-pandemic. However, as you rightly said, there is a wage inflation already in play, I think we've already seen up to now almost a 11% to 12 % hike in average cost as we compare to FY20 on account of minimum wages and cost inflation and there is likely to be even further inflation this year as the business bounces back. We have not given significant increments, etc. to the team. So, some bit of inflation is going to play out for sure, but we think that some of it will get recouped by the higher realizations that we're doing, but our cost should still be closer to what we were doing in FY20. In FY23, we may not be possible to get full 10% savings over FY20 given the inflation, but we still think that we will be able to keep this cost at FY20 or below levels even in FY23.

Harit Kapoor:

The second question was on the screen addition. So, this pick up from the 80 odd screens to about 125 screens, is that just a function of pent-up act at the developers' end, which probably you were not taking or were not getting completed due to COVID in one shot, is that the way to read it?

Sanjeev Kumar:

Lot of the development got stuck due to lockdowns and COVID and the malls were not ready, but now the malls are ready and therefore, we are taking the handover and start work on them and also we have a lot of large format ones here, which is accelerating the screen count. We have 8 screens to 10 screens and again a 12 screen complex coming up what we call big complexes. So, those are actually adding up to the number of screens opening for the year.

Harit Kapoor:

And just a followup on that screen addition part, it seems like a larger share in South India this year, so is this co-incidental in terms of what properties are coming or is it more of a planned thought process, at least for FY23?

Sanjeev Kumar:

No, I think we are spread pretty evenly all over the place. I think the ones in South India, they are just more large format because as I said more screens, 8-10-12 screens because of the



*PVR Limited
May 9, 2022*

acceptance of multiple language films. Otherwise, we have Gujrat, Gurgaon, Pune, even East India and again Rourkela, it is pretty well spread out throughout the country.

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

Girish Pai: Just want to discuss the potential CCI involvement in the merger dealing. Is there a timeline within which CCI has to raise any objections, if any, post which it becomes kind of a time barred situation? That is point number 1. Second, if there is CCI involvement and there is a divestment of screens that is required from your side, is there a certain minimum threshold your looking at or you probably want to go ahead with the deal? These are two questions that I want to ask you.

Nitin Sood: So, Girish, let me respond to your second question first. The second question is quite hypothetical and we haven't even thought about anything like that. So, we would refrain from commenting. On the first point, till what time CCI can intervene, I am not aware of any specific guidelines, but our understanding is mergers typically falls under the merger control guidelines and effectively if you need an approval, you need to apply to them and seek an approval. If you don't need an approval, you don't need to file with them. So, to be honest, I am not aware of any timelines, but I am guessing the stock exchanges and SEBI approval once it's in place, will be the basis for us to go ahead and file in the courts.

Girish Pai: Just one more question regarding the CCI. You had an experience with DT cinema situation where you had to divest 7 screens out of 39 screens of which one was in a property in Saket, what in your opinion determined that particular situation where CCI said that you need to divest 6 screens in Saket, is it a micro-market monopolistic situation that it saw?

Nitin Sood: The starting point of that question is whether a transaction is notifiable or not notifiable and in the case of the transaction when we are acquiring that business, that transaction was notifiable. In the present case when we are doing this transaction, this transaction is not notifiable according to law. So, both the situations are not comparable.

Moderator: Thank you. The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: First a bookkeeping question on theatrical window. Now that the business has normalized, is there an understanding with producers in Bollywood to move back to 8 weeks of theatrical windows?

Kamal Gianchandani: Yes, we will be returning to the erstwhile 8-week window by end of July. This is for Hindi films. For different language films, it will be a different arrangement, but for Hindi films which is our staple diet, we will revert to 8 weeks at the end of July.



*PVR Limited
May 9, 2022*

Jaykumar Doshi: Second, I am a bit surprised when you mentioned that advertising revenues would take 3-4 months to recover. I was hoping that the way April has shaped up from a box office perspective, ad revenues would have largely recovered. So, what is the challenge you are facing on the ground and if you could elaborate a little bit on it and does it mean that FY23 ad revenues could be lower than FY20 or at best match FY20 levels?

Gautam Dutta: First of all, yes it is most expected that actually advertising revenues will be lower than the pre-COVID levels, number 1. Number 2, now coming to the question of why it is taking time because you need to understand cinema as a medium is the fourth or the fifth priority for a media planner. So, technically, we have been off radar for close to about 30 odd months and it will take time before planners and typically a plan gets made 3 or 4 months prior to a big launch and that's where most of bulk of our earnings happen. So, we are back on the radar. We got a fairly decent recovery in March, but having said that, we are waiting for some big blockbusters. The good news round KGF, RRR, Gangubai, is only helping matters and now with Doctor Strange doing well at the box office, we still believe it's a few weeks away, but very-very confident that within about 3 to 4 months, we should be back on track.

Jaykumar Doshi: What is your mix between local advertisers and slightly larger more organized players?

Gautam Dutta: So, technically, the split is about 60:40. We still cater 40% to retail and small businesses, 60% is largely on big businesses and which is going through agencies and corporate offices.

Jaykumar Doshi: Are you seeing a better recovery in either of the 2 or it is broadly similar?

Gautam Dutta: The retail is much better. They have warmed up because their stores are in the mall. They can already see a huge amount of recovery. They can feel the pulse a lot better. So, retail recovery specifically in South is very-very good. In fact, if you look at market, South has done well and has recovered fairly well. North as a market is second in line, but it's actually the West region, which has a bulk of contribution to make, it's taking a little more time because there you have the maximum corporate business flowing in and that's taking some bit of time.

Moderator: Thank you. The next question is from the line of Mayank Babla Dalal and Broacha. Please go ahead.

Mayank Babla: I have two questions. My first question is particularly about footfall. Sir, I needed your help in understanding that despite having a larger screen base compared to our competitor and being more diversified, is there any other specific reason why there was a hit in footfall this quarter compared to last quarter? Why were the footfalls marginally down quarter-on-quarter basis?

Kamal Gianchandani: Because in January and February, we didn't have releases, whereas in Q3, we started getting films in October and we had films right till the end of December. So, there were more productive weeks in Q3 as compared to Q4.



*PVR Limited
May 9, 2022*

- Sanjeev Kumar:** We covered that. Q4 basically the omicron third wave hit at the end of December all the way to January end and since capacity restrictions were imposed in Delhi and Haryana, which are of course very big markets for Hindi movies, no new films got released till the third week of February. So, all of January and most of February, no new movies got released. Movies started getting released only after the restrictions were lifted such as Gangubai and all and a week to 10 days of February and full March is where we actually had recovered genuine footfalls.
- Mayank Babla:** And my second question was regarding does the promoter have any pledge of around 6-6.3%?
- Nitin Sood:** Yes, there is a pledge of securities. They have taken some short-term borrowings. Yes, there is a small pledge of shares.
- Mayank Babla:** So, this was in the March quarter itself or it was before?
- Nitin Sood:** This was in the March quarter.
- Moderator:** Thank you. The next question is from the line of Arun Prasad from Spark Capital. Please go ahead.
- Arun Prasad:** My first question is on the screen opening, which you indicated is around 125 in the coming year annually. So, the question is, is this restricted because of the fact that you wanted to open only up to the internal accruals or is it more because of the mall developer handing over the property?
- Nitin Sood:** This is the list of pipeline of screens that we are executing. We are executing a little more to be honest because sometimes the screens get delayed on account of developer's execution as well. So, the number of screens under fit out will be more than what you see what we will end up opening, but we hope that these many will definitely open during the course of the year.
- Arun Prasad:** In the medium term, mall pipeline will be the constraint or do you see any issue on that?
- Nitin Sood:** No, we don't see any constraint in that. We see active mall activity on the ground. Lot of new screens moving towards execution and we will also be moving to lot of new cities in the next few years, adding lot of Tier-2 and Tier-3 cities, which are beginning to see development of retail infrastructure now and that will also be a big focus area for us.
- Arun Prasad:** My second question is on the cost of debt. Your current cost of debt is north of around 11% which is at around 400 to 500 bps above the G. Sec. With the balance sheet strengthening, do you see this spread coming down and what extent can we expect this reduction?
- Nitin Sood:** Just to clarify, our average cost of debt is not 11%, but it is close to 9%. The overall interest cost charges that you see in the P&L also includes bank charges, etc. that are applicable on the credit card usage that we pay to the banks and also has an impact of Ind AS adjustments, which are



*PVR Limited
May 9, 2022*

pertaining to front accounting of convenience fee income etc. which is a non-cash charge. So, our average cost of the debt is close to 9%. Also, as during the year like I said, we intend to fund all our growth through internal accruals and liquidity that we have in hand, it is (*inaudible*) free cash generation from the earnings that will go on to reduce leverage. I think our leverage is ideally peaked now and as we get into earnings and cash flow generation from the business, hopefully, it should start coming down from these levels.

Arun Prasad: So, do you see the cost of debt coming further down from these levels?

Nitin Sood: We are in a high interest rate environment now, as we enter this year. So, it is difficult to stay. If there is any re-financing opportunity, clearly it will happen at a lower cost than what we borrowed during the pandemic for sure, but given the increase in interest rate during the year and the impact of it in this existing portfolio, I don't see any material changes in our average interest cost from here.

Moderator: Thank you. The next question is from the Jaykumar Doshi from Kotak. Please go ahead.

Jaykumar Doshi: When does your convenience fee contract with BookMyShow and Paytm expire and are there any discussions around renewal of the same?

Kamal Gianchandani: Both the contracts were set to expire in 2021 but because cinemas were shut, the contracts were extended and they will expire in 2023 calendar year different dates. As you know, SPI which is now merged into PVR, they also had erstwhile pre-existing contracts prior to the merger, so those dates will also fall sometime towards the end of 2022-23. As far on the discussion front, I would not like to get into these details.

Jaykumar Doshi: Essentially 3-4 quarters away ?

Kamal Gianchandani: It is still a few quarters away.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that would be our last question for today. I now hand the conference over to Mr. Nitin Sood for closing comments. Thank you and over to you, sir.

Nitin Sood: I would like to thank everyone for taking out time for our call. If we have not been able to answer any questions during the call, feel free to reach out to me or my colleague, Saurabh and we'll be able to individually do one-on-one call calls. Thanks once again.

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