18th October, 2024

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Company Code: PVRINOX/ 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 9th October, 2024 and 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 had participated in the conference call for analysts and investors held on Tuesday, 15th October, 2024 for post announcement of Financial Results for the 2nd Quarter and six months ended 30th September, 2024.

Please find enclosed the copy of transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR INOX Limited**

AJAY KUMAR BIJLI
Digitally signed by AJAY KUMAR BIJLI
Date: 2024.10.18 17:52:31 +05'30'

Ajay Kumar Bijli
Managing Director

Encl.: a/a

“PVR-INOX Limited
Q2 & H1 FY '25 Results Conference Call”
October 15, 2024

MANAGEMENT:	**MR. SANJEEV KUMAR – EXECUTIVE DIRECTOR – PVR-INOX LIMITED** **MR. GAURAV SHARMA –CHIEF FINANCIAL OFFICER – PVR-INOX LIMITED** **MR. PRAMOD ARORA – CHIEF EXECUTIVE OFFICER, GROWTH & INVESTMENT – PVR-INOX LIMITED** **MR. GAUTAM DUTTA – CHIEF EXECUTIVE OFFICER, REVENUE & OPERATIONS – PVR-INOX LIMITED** **MR. KAMAL GIANCHANDANI – CHIEF, BUSINESS PLANNING, STRATEGY – PVR-INOX LIMITED**
MODERATOR:	**MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the PVR INOX Limited Q2 FY '25 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participants' 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 this conference call, please signal an Moderator: by pressing star, then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you, and over to you, sir.

Ankur Periwal: Thank you, Neha. Good afternoon, friends, and welcome to PVR INOX Limited Q2 and H1 FY '25 post result earnings call. The call will start with a brief management discussion on the earnings performance followed by an interactive Q&A session. PVR INOX management will be represented by Mr. Sanjeev Kumar, Executive Director; Mr. Gaurav Sharma, Chief Financial Officer; and other senior management personnel. Over to Mr. Sanjeev for your initial comments.

Sanjeev Kumar: Thank you very much. Dear all, I'd like to invite you all to discuss the unaudited results for the quarter and the half year ending September 30th, 2024. We uploaded the earnings presentation and the results on our company's and the stock exchange's website earlier today, and I hope you've had a chance to review them.

Box office collection during the quarter saw a 40% sequential increase driven by a strong bounce back in Bollywood, led by the record-breaking success of Stree 2. Now the highest grossing Hindi film of all time. This surge was further boosted by Kalki's strong performance in both Hindi and Telugu markets as well as exceptional success of Deadpool & Wolverine, which became the highest grossing R-rated movie worldwide earning $1.3 billion at the global box office. Our strategy of re-releasing older films has been highly successful contributing nearly 6% of admissions during the quarter. Re-releases offer consumers additional choices during leaner periods for a big screen experience.

The strong box office performance for both new releases and older classics demonstrates a good quality content with the primary factor that drives cinema attendance. This also reaffirms the profound love of Indian audiences for cinematic experiences. We celebrated the National Cinema Day on 20th September, which saw an overwhelming response. More than 11 multiplex chains and over 4,000 screens across India participated in this initiative and PVR INOX welcomed 1 million guests to our cinemas, making it one of the biggest days of the current fiscal year.

Overall, in Q2 FY '25, we welcomed 38.8 million guests across our cinemas. In terms of the financial results for the quarter, the following numbers are after adjusting for the impact of Ind AS 116 on lease accounting. Total revenue for the quarter was INR1,642 crores, EBITDA INR207 crores and PAT was at INR22 crores as compared to a revenue of INR2,020 crores, EBITDA of INR447 crores and a PAT of INR207 crores in the same period last year.

In the coming quarter, we have several exciting Hindi films. Last week, we had Vicky Vidya Ka Woh Wala Video and Jigra performing well at the cinemas. During Diwali in November, we have the highly anticipated multi-starrer release Singham Again and Bhool Bhulaiyaa 3. Pushpa

2 is releasing in five languages in the first week of December and is expected to be a mega blockbuster. December also has Baby John starring Varun Dhawan.

From Hollywood, we have Venom, Gladiator 2, Kraven the Hunter, Mufasa: The Lion King, among others. And in regional languages, we have Kanguva, which is, again, a multilingual language release. We are highly focused on executing our strategy of driving free cash flow generation, improving return metrics and reducing debt. Despite a relatively soft first half in FY '25, the company generated positive free cash flow and reduced net debt by INR141 crores.

PVR INOX continues its strong growth momentum adding 71 new screens till date in this fiscal, while strategically exiting 42 underperforming screens. For the full year, the company expects to open around 110 to 120 new screens and exit 70 underperforming screens. Our current screen portfolio stands at 1,747 screens across 356 cinemas in 111 cities in India and Sri Lanka. Thank you very much, and I have opened the platform for any Q&A.

Moderator: Thank you. We will now begin the question and answer session. The first question is from the line Abneesh Roy from Nuvama Wealth. Please go ahead.

Abneesh Roy: My first question is on the re-releases. Two, three sub-questions there. One is when I see PVR share versus the India share, it's ranging from 50% to 95% in the three movies where you have given the data. So I wanted to understand why we have such a range, maybe because some are only in your screens and may not be widespread. So I wanted to understand what is the science behind this?

Second is in a year, how many movies would you be doing in terms of re-releases. For example, October month, again, the current month. Bollywood scheduling seems again quite weak. So are you planning some re-releases again right now? Third is in terms of variable cost, I understand you have got 6% admissions from re-releases. But in terms of variable cost and occupancy, if you could give some data, do you make good profits here?

Or it's more of a marketing exercise to increase the movie overall consumption habit as such?

Sanjeev Kumar: Kamal, would you like to take that on the re-release strategy first, there’s multiple questions.

Kamal Gianchandani: Sure. Abneesh your first question, can you please refresh what was the first part of your question?

Abneesh Roy: Yes, 50% to 95% range between PVR and total in the three examples which you have given re-releases, the range is between 50% to 95%. So why such a wide range?

Kamal Gianchandani: Re-release is something which has been happening in film business for a very long period of time. And usually, it's been tactical. If it's an actor's birthday or if there is some event being celebrated, we tend to have either a festival or we bring back a popular film of that particular actor. But in the last, I would say, eight to nine months, we've seen consistent behaviour from re-releases, where re-releases quite a few of them have performed almost like a brand-new film.

And this many people found it -- I mean this came in as unexpected. Many people were surprised and we thought it's a fluke, but it has managed to sustain itself. And initially because a lot of people didn't believe in the sort of long-term sustainability of this new trend that was emerging, a lot of exhibitors are not participating in re-releases. And as you know, PVR INOX has always been experimental. We've been more receptive.

We like to sort of push the envelope a bit. So we sort of participated aggressively. And this is why the earlier releases, Rockstar, Love Story, Rehna Hai Tere Dil Mein, PVR INOX had a disproportionate contribution in the all India because it's pretty much released in the entire chain of PVR INOX. By the time, Tumbbad came out in late August, September, more exhibitors sort of jumped on to the bandwagon.

And you see the contribution of PVR INOX in Tumbbad, has come back to -- has become more sort of closer to what a standard contribution is in the overall box office. So that's the answer to your first question. The second one was, I think whether this is a sustainable thing or just the marketing initiative...

Abneesh Roy: Given ATP is lower and my sense is occupancy also would be lower. If you could tell us in terms of variable cost, would you be making money here in terms of do you take that into account?

Kamal Gianchandani: So without getting into specifics, it's a profitable initiative. You have to appreciate in our businesses, we -- there are weeks which are lean in nature and therefore, its gives us, the percentage occupancy that you do with the film is relative to the kind of period in which you're playing it, right? So we would not do a re-release in a week in which we've got two brand-new films which are blockbuster -- potentially a blockbuster category film.

We would never do a re-release in that week. But in a week where we have soft releases or we have scarce releases, we will come out with a re-release. And therefore, in that context, with that background, if a re-release does good business, above the threshold admissions that we normally do, is profitable for us. At a variable level, it's able to give us a contribution which helps us recover our overall fixed cost. What was your third question? Could you please repeat?

Abneesh Roy: Yes, it was again related to this only. So who is doing the planning for this? For example, in October month, again, Bollywood looks reasonably weak. So are there more movies planned in October month?

Kamal Gianchandani: Yes. We believe like the trend of South films being dubbed in Hindi, which has become like a sustainable practice or sustainable trend, which is doing very handsome numbers. We believe this -- the trend of re-releases is here to stay. We've got internally people who are constantly looking at opportunities and not, of course, not all re-releases do well at the box office. So you also have to curate content. You also have to be careful.

So we have a lot of people internally who are working at these gaps and opportunities. But at the same time, we also keep getting a lot of initiatives from the production houses, a lot of producers keep approaching us. For example, Khosla Ka Ghosla, which is releasing on 18th, we were approached by the producer. And of course, we depend on the producers for logistics, prints, availability of censors and all of those things.

So therefore, producers' initiative -- producers' interest in a re-release is also extremely important. So in many cases, we also get approached by producers. So it's a bit of both. Like we do a lot of internal planning, but producers also similarly take a lot of initiative.

Abneesh Roy: Sure. My second and last question will be on Q3. Last year, Q2 was extremely strong and your expressed optimism that maybe Q3 will also be quite close to it. Given how October month is looking, big week on the Hindi movie side. Is your expectation a bit on the optimistic side, given we'll have two months largely to overcome the very strong Q2?

Kamal Gianchandani: Well, looking at the line-up, looking at the line of sight in terms of films, we are confident November and December will do massive numbers. We don't want to get into specifics for these numbers. And I'm not trying to compare Q3 of this year with Q2 of last year. But suffice to say that in November and December, we'll do very strong numbers. In October, we are still in the middle of October. Venom is another film, which is keenly awaited. We expect Q3 to be quite robust. It will probably be the best quarter in this -- I mean most likely it will be the best quarter in this financial year.

Moderator: The next question is from the line of Jinesh Joshi from PL Capital. Please go ahead.

Jinesh Joshi: Sir, I have a bookkeeping question. So if I remember right, our contract with BMS ended some time back. And now I believe the convenience income is variable in nature and ideally it should move in tandem with the box office performance, if I'm not mistaken. Now in this quarter, we saw a 25% fall on a Y-o-Y basis in our net box office collection, but the convenience income was down by only 5%. So has there been any revision in rates with BMS this time around?

Gaurav Sharma: Jinesh, this is Gaurav here. Let me take that question. The BMS contract was renewed last year itself, and we have a four-year term with BMS and that will expire by 2027. The 5% drop in convenience fee as compared to 25% drop in box office you've seen because during the quarter, what had happened was Paytm sold their ticketing business to Zomato. And as a part of that transaction, there was an arrangement between PVR INOX and Paytm, where IT integration services and support was provided by PVR INOX in the integration and transfer of their ticketing business to Zomato. And we have received some onetime payment on account of that IT integration process, which has been accounted for in the quarter two convenience fee. As a result, the convenience fee in quarter two is higher or the drop is lower compared to the box office drop in revenues.

Jinesh Joshi: Got that. Sir, second bookkeeping question is on the rent expense, which is flat on a Y-o-Y basis despite a 2% increase in the weighted average screen count. So if you can share the reason behind it? And also our film hire cost is down on Y-o-Y basis. So has there been any change in terms of our agreement with the distributors during the quarter? And the related follow-up is that for re-releases, do we pay a similar film hire cost? Or is it a bit lower?

Gaurav Sharma: On the film hire terms, there is no change in the contract terms. The drop compared to last year quarter two was mainly because of the revenue share that got triggered in both rentals as well as film hire charges last year -- sorry, only on the rentals, but in film hire charges last year in quarter two, there were films which did very well. So we had to pay out some bonuses. As a result, last year, both FHC as well as the rentals to the landlords were higher compared to this year.

In addition to that, we are also keeping a very close eye on our rental costs. We have taken a lot of initiative in renegotiating rentals in properties where there was underperformance and that is also reflected in the rental cost reduction.

Jinesh Joshi: And the re-release part, if you can just highlight that?

Gaurav Sharma: On the re-releases, I think Kamal had mentioned earlier, without getting into specific details, the film hire charges that we pay to the producers on older films that are re-released are lower compared to what we pay for a newer film. And therefore, the gross margin there is higher. But at the same time, the average ticket price is also lower. While in terms of percentage gross margin, it is higher but may be comparable in terms of absolute value.

Jinesh Joshi: Understood. Sir, one last question from my side. I think some time back, there was some news article in the media which stated that the Tamil Film Producers Association has called for a temporary halt on all film-related activities from November 1. Any idea whether this will be implemented or you expect some kind of a solution to be figured out by then?

Kamal Gianchandani: It turned out to be a media speculation. No such halt to the production has taken place in Tamil Nadu. Films are being produced and being shot at the regular pace. So it was just pure media speculation.

Moderator: The next question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar: See, this quarter, in many ways, represent a typical probably period for us where a couple of months were very strong, 1 month was relatively soft, we did reruns, etcetera. And still, after all that, the occupancy for the quarter was 25.7%. So is that the new normal that we should look at in the movie exhibition business? Because obviously, we can't expect every quarter to be like Q2 of last year or Q3 of this year.

So just your view on what should be the new normal for occupancy? And if it has to go up on a sustainable basis, what would it take for the occupancies to move up?

Gaurav Sharma: Kamal, you would like to take that?

Kamal Gianchandani: Sure. So firstly, in terms of occupancy percentage, we hope and all the effort the entire PVR INOX team puts -- it's in the direction of raising this occupancy, improving this occupancy percentage. So while it's a good percentage, it's something which, especially given the backdrop of COVID, we've come a long way. But we believe there is a lot of headroom to grow, and we are not sort of pausing and being satisfied with this percentage.

The reason I say there is headroom to grow is because post-COVID the back-end production side of our business was, I wouldn't say disrupted. Disrupted in a strong word, but it was definitely disturbed. A lot of producers who are regularly churning out films took a pause and a lot of people went into that zone where they became quite unsure whether they should make A film or B film or a C film.

And there is a lot of sort of the green-lighting process went through a lot of churn because the consumer taste was changing, box office had become more unpredictable. But in the last, I would say, 15, 18 months, there is more semblance to the box office, is becoming more and more like what we used to experience pre-COVID. And currently, the challenge that we face is with the quantity of films, quantity of, I would say, wide releases.

But in terms of quality, in terms of admission per film, we are pretty much back to 2019 levels. So in terms of audiences coming and patronizing films of their choice, we are back to 2019 level. And therefore, producers are very confident. They're enjoying a good run at the box office. A lot of producers are also laughing all the way to the bank because of the success that we're seeing at the box office.

But at the same time, the quantity is still not back in shape. It is still not back at the level at which it used to be in 2019. So that's an area where we are hoping over the next 12, 15 months, we will see a lot of improvement, the quantity of wide releases, good quality, big budget films or mid-budget films, that number will increase. And hopefully, that will help us increase the percentage of occupancy.

Abhishek Kumar: Okay. That's helpful. So just picking up on that, based on your conversations, do you think that the pipeline for next year by studios, etcetera, is looking better compared to what it has been so far this year in terms of just the quantity?

Kamal Gianchandani: Certainly, both in case in Hindi, regional Indian films and also in case of Hollywood. Hollywood, as you know, was disrupted because of the strike. That's behind us. And therefore, the number of wide releases that you will see globally, including India, would be much more than what we have seen in 2024 and '23. And in Hindi, we see a lot of producers who were on a pause mode. They have become active.

And we see -- looking at the -- I mean, the line of sight will become much more clearer by the end of the year by the time we get to December and January. But just basis what we know now, whatever it's releasing in 2025, we feel quite excited.

Gautam Dutta: And just kind of -- in addition to what Kamal said, one is the fact that you need to view the H1 of this year without any big starrer film getting released. So next year, hopefully, we'll get these blockbusters back even in the H1. Number two, the way this year is panning out and the way we are working on re-release strategy and the alternate content. It's something that will be hugely fine-tuned by the time we hit April of '25.

And we believe that this also has its own little churn and a science to it, which I think we are learning. And as Kamal had just explained about 80-odd re-released films were marketed to our audiences in H1 alone, and this number would surely be upwards of 140, 150 by the time the year ends. So technically, next year, this is another line that we would have got created. Re-releases would be one and the alternate content would be the two.

And with -- coupled with the fact that some of the big starrer which were completely missing in this year, your Ranbir Kapoor, your Ranveer Singh, Shahrukh Khan, Salman Khan, all of these guys have been -- have not really had any single release this year. And they all probably will be back next year.

Abhishek Kumar: Great. That's very encouraging. One last question on your operating leverage. Has it kind of run its course. By that, what I mean is if the occupancy stays where it is, is this the level of margins or fixed cost that we should expect for our models going forward?

Gaurav Sharma: Abhishek, taking a lot of steps to control our costs, especially the fixed cost and the biggest line item in our fixed cost is occupancy costs, rental and CAM which is driven by the contracts. But even there, wherever properties are underperforming or are located in malls, which are not doing well, we are picking up conversations with developers to re-negotiate rentals.

Rest of the costs on the fixed side, whether it is utilities, overheads, employee costs, we are trying to control as much as possible. And that's one area which the management team is very much focused on. So I think that's what I can tell you without getting into detailed numbers.

Moderator: The next question is from the line of Arun Prasath from Avendus Spark. Please go ahead.

Arun Prasath: My first question is on the F&B spends. If you look at this metric for last four to five quarters, we are more or less -- this number is more or less stable. So have we reached kind of a maximum that we can extract out of the footfalls via the -- without the price increase? Is it -- from here the way forward is only the price increase? Or how we should think about it on this line item?

Gautam Dutta: No. There is a long way to go still. We believe that our SPH has a huge headroom to grow. The H1 really, you're right, has been a bit staggered in terms of when you compare it with last year, but there are reasons around it. There was huge blockbuster films last year, and that too Hollywood films, which drove SPH brilliantly well because Hollywood normally get high-propensity customers to our -- the top line of the cinema.

So because of Hollywood films, because of the fact that we have had muted ATPs, SPH has largely been in line with that. Apart from that, we've also done Cinema Lovers Day, which is also sort of brings down the SPH drastically for that month because roughly about 10% of the total month's footfall hits the cinemas on one day. So having said that, we believe that there's a huge headroom.

There's a lot of innovation that is happening. We are also looking at different formats within F&B to be able to take the growth forward. But this year, clearly, given the fact that last year, we grew fairly sharply, we will -- there will be a little bit of a pressure on SPH, but come next year, I think this will really explode.

Arun Prasath: Okay. Understood. Fair enough. And secondly, the capabilities of closing of the non-performing screens. Can you help us understand -- obviously we will be closing only if, say it's -- obviously for the malls, which are dilapidated, you will be closing no matter what is the rental is. In those cases where the closure is because of the mall is good, but you closed it because of the non-performance, that part of the operation is that closure is done or still it is an ongoing process?

Gaurav Sharma: I think the strategy on the closure of underperforming screens is mainly because we are a mature company with almost 20, 25 years of operations, a lot of cinemas are now -- which were opened maybe 15, 20 years back, are located in malls, which have lived their lives. So as a regular process, we will evaluate our entire portfolio every year.

And we will -- the endeavour is to improve profitability of the business and exit properties which are consistently not doing well because of the mall issue or the location issue or the catchment has become over penetrated. So I think while this year, we have identified about 70-odd screens for exit.

But going forward, maybe about 1% to 2% of our portfolio will undergo a churn where we will replace older screens with newer locations -- newer properties in those locations.

Arun Prasath: Okay. Actually, what I was trying to understand is, what percentage of our, say, underperforming screens is yet to be renegotiated for any rentals if other than the mall -- that is a closure of the mall or other than the location issues and apart from that, is there any scope we have still some 30%, 40% of properties, which is not under -- is not yet renegotiated, but that will lead to a better rental cost control going forward? Is that kind of a commentary? Can you just give some understanding for us?

Gaurav Sharma: So as I said, Arun, I think this is a continuous exercise. We evaluate our entire portfolio on a regular basis. While we are not chasing any target in terms of closures, but wherever we are identifying locations which are not doing well, we are picking up discussions with the landlord or the mall developers to renegotiate the rentals or figure out some operating efficiencies to turn around the location.

Having said that, I think going forward, it's going to be a continuous exercise. There is no specific percentage of closures or there is no specific properties that we are wanting specifically to exit.

Arun Prasath: Finally, we spoke about a lot of emphasis on the increasing the screen presence in South. South is, obviously, beyond the top cities. If you look at the Tier 2, Tier 3 cities, the supply of mall may not keep in place. So how we are planning to address this supply issue because obviously, we will need some kind of developer support to increase our screen share in the South.

Pramod Arora: So wherever the malls are coming in, there we are going in. You addressed it right in terms of -- your question is right in terms of suggesting that there are not too many malls coming up in the interiors of smaller towns in the South, but this is changing very fast. From Cuddalore to other small cities like Tirunelveli many, many small cities in South are now coming up with shopping centres or malls which are housing cinemas.

And that is where we are going. Besides that, we are also using the push factor to reach out to developers in these small towns, suggesting them for malls wherein we can house the cinemas looking at the economic viability of the complete shopping centre, and that is working favourably for us.

Arun Prasath: And these new shopping malls or shopping centres, this will be an asset-light model for us?

Pramod Arora: Most of them would be asset-light model for us.

Arun Prasath: So developer has to contribute a substantial capex?

Pramod Arora: Yes. The developer has to contribute substantial capex and he's getting returns in either in the form of rental or in the revenue share, where he is able to make up in case the centre does well.

Moderator: The next question is from the line of Umang Mehta from Kotak Securities Limited. Please go ahead.

Umang Mehta: Just continuing the last question. So what is the new screen guidance for next year FY '26, and the capex guidance for the same? And what would be the mix of FOCO and management properties within that plan?

Pramod Arora: The first question, we shall be roughly going at 100 screens per annum, give and take 20 screens, it could be 80, it could be 120. That is the screen count that looks year after year for the next few years. In terms of the FOCO which is franchisee-owned company-operated, we are looking at about 15% of the screens coming up in FOCO which is franchisee-owned company-operated. About 35% to 50% coming up in the asset-light model. And balance would be again structured lease model.

Umang Mehta: Understood. Then maybe Gaurav could help. So in terms of capex, should we expect decline from INR475-odd crores, which you expect this year given that asset light is fairly high?

Gaurav Sharma: Umang this year, our endeavour is to do about INR400 crores of capex. In the first half, we have done about INR205 crores. So we are well within our target for the year. Next year, as Pramod said, the mix of asset-light or capital-light screens and properties will increase. As a result, our share of capex outflow for new screen additions should ideally come down. But we will not be able to give you exact guidance of what we are targeting next year.

We will do that as part of our AOP planning by the end of this year. But overall, I think we should be in the ballpark of INR400 crores to INR500 crores. As a strategy, we will allocate slightly more capex on renovation where our high value, high performing properties where the payback periods are much faster and the risk is much lower. So some -- incremental capex allocation will be towards the renovation side.

Umang Mehta: Understood. Makes sense. And just my second question, it is not related to your core business, but on the food delivery business of PVR Cafe. Anything you can share on that, any current plans to scale it up or anything on that?

Gautam Dutta: So that's on course. We still need a lot of work to be done on that because when we work with Zomato and Swiggy there, we realized that given the fact that cinemas are on the third floor, our deliveries tend to get a bit delayed. The walkers need to come to the third floor to collect. So while in South, we're doing some brisk business around home delivery because a lot of cinemas do manage to get the food down to the box office, where it's very easily collectible.

But overall, I would say that we still have to crack this model fully and perhaps set up dark kitchens under the name of PVR Cafe to be able to deliver. Delivering from cinema will always give us an incremental food sales or an SPH, but it could only be limited to an X amount, and we need to relook at the delivery model completely there.

Moderator: The next question is from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: This is also in line with what the previous speaker had asked, what should we model in terms of sort of annual occupancy ratios since this is mostly become a eight to nine-month kind of a business model with IPL every year and some of the other events and T20 World Cup every second year and 50-over World Cup every four years, and many of the sporting events. What should we work with in terms of annual occupancy rate, something that the company is targeting?

Gaurav Sharma: We're not targeting any annual occupancy rate because it's very difficult in our business to say how the films will perform also dependent on supply of the films and their performance. While -- therefore, it will be very difficult for us to provide you a guidance on what you should model in your assumptions for occupancy. But as Kamal was referring at the beginning of the call, in financial year '26, we have a very strong line-up of films.

Some of the biggest blockbusters from some of the biggest stars is lined up across Hindi as well as Hollywood and regional films. So on the basis of line-up, I think our feeling is that next year could be possibly a very strong year in terms of occupancy levels. Very difficult to comment on exact numbers. But I think I would restrict to that. Kamal, you would like to add anything?

Kamal Gianchandani: Yes. No, I think you've covered it well. I would only add to what Gaurav is saying that this point that you raised about World Cup and IPL or some other sporting event or some other global events, which could impact the release schedule in India. See it is a function of number of the quantity of films that get produced and which are ready for release. If that quantity goes up, producers would tend to come out and compete with these global or local events as they have done in the past, as they used to do pre-COVID. So once the quantity of firms, good quality or wide release films goes up, you would find that they would also start releasing it during IPL, during World Cup, during other events. And they'll figure out a way to coexist with them.

Moderator: The next question is from the line of Sukant Garg from Equible Research Private Limited. Please go ahead.

Sukant Garg: So my question is related to the JV that we are pursuing with Devyani International, first one. And my second question is regarding PVR Cinemagic. So I heard news around four months back that there is a new range of cinema screens that has been launched by PVR called PVR Cinemagic, but that's been suspended in a very short span of time. So is there a particular reason for that?

Gaurav Sharma: Sorry, can you repeat your question on the food court, what exactly you're seeking?

Sukant Garg: So my first question is the state of the JV with Devyani International. When it is going to be launched, when it is expected to be launched? And my second question is regarding PVR Cinemagic. So which I heard that there is a new set of screens being launched by PVR around May '24 called PVR Cinemagic, but it is suspended in a very short span of time. Why so? So is there any particular reason for that?

Alok Tandon: Okay. So let me take the second question first. Cinemagic has not been suspended. Those 4 schemes are changing the interiors. We are doing some changes after. We've got some feedback from the guests. So just to assure you that Cinemagic has not been suspended and we'll be opening it soon. So that's first. Secondly, where with Devyani our joint venture is concerned, it's on track.

And we are hoping to open the first food court in December. So that's we are working towards it. That's our endeavour. And we all are looking to ensure that the first food court opens by December.

Sukant Garg: Just to follow up on that. For PVR Cinemagic, are we planning to expand that also in other parts of the country? Or it is just going to remain in very specific concept as an experimental experience?

Pramod Arora: Yes, Cinemagic would expand to different parts of the country, wherever the demographics permit us to do so. So it's conceptually a little different from the other cinemas. And it will expand into other parts of the country also as well.

Moderator: The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.

Ketan Athavale: I just wanted to know pre-Ind AS EBITDA guidance?

Moderator: Sorry to interrupt you, sir. I request you to use the handset, please.

Ketan Athavale: I will come back in the queue.

Moderator: The next question is from the line of Nitin Sharma from Seeberg Private Limited. Please go ahead.

Nitin Sharma: Firstly, can you please point out how many of this closed screens in the first half include premium format? And then I have a follow-up.

Gaurav Sharma: So there is no premium format. These are all old screens, 15 years old, 10 years old screens. They're all mainstream regular screens.

Nitin Sharma: Understood. And secondly, is there a level of gross debt that you aim to achieve by end of this year or the next year?

Gaurav Sharma: Can you please repeat?

Nitin Sharma: Yes. Is there a target debt level that you also achieve by end of this year or the next?

Gaurav Sharma: Yes. I think our capital allocation strategy is clear that whatever free cash flow that we generate from the business after meeting our capex requirements will go towards debt reduction. And that's what you can see in this first half as well. While our gross debt levels have been same, our net debt levels have come down, we've built up reserves to take care of contingencies. Our idea is to reduce overall gross debt levels in the next couple of years by a significant number.

Moderator: The next question is from the line of Palvir Bahia from HALO Global Asset Management. Please go ahead.

Palvir Bahia: Yes, I just wanted like how do you think about profitability? Just going back to an earlier question, you're at sort of 25% give or take occupancy you're on a relatively good quarter. I appreciate what you're saying about next year. But again, that's very much reliant on the supply of new films and the success of those. In terms of how you're modelling your business, how should we -- and how do you think about the sort of ongoing profitability?

What is breakeven for your business? And is it really -- will it come down to occupancy for you to generate sustained profitability going from here? And what are the levers do you have to give us confidence that you can sort of sustainably be profitable on a continued run rate from here?

Gaurav Sharma: I think on profitability, if you look at our second quarter at a 25.5% occupancy, we did roughly 13% EBITDA margin, which is similar to what we did in financial year '24, where we had 25% occupancy and 13% operating margins. I think as the occupancy levels go up, which we feel should go up in the quarter three, quarter four and next year because of operating leverage, the improvement in operating margins will be more.

When you compare -- when you look at our quarter two earnings last year, where we had a 32% occupancy, we did roughly 22% EBITDA margins. So I think that's the range where we are operating. A lot of synergy benefits are already baked into the business. As the occupancy levels improve, we will see a substantial increase in operating margins of the business.

It's very difficult to model the occupancy numbers because it's highly dependent on the line-up of films and the performance of films which are released. But on the fixed cost control side, we are very, very focused towards controlling all the controllable fixed costs and trying to renegotiate rentals wherever the opportunity exists.

Palvir Bahia: It's difficult as analyst to try and just put in an occupancy number which is higher given the trend at the moment. And we've had -- I appreciate you've had a lot of disruption via COVID, with the election. But there's still a lot of hope, it's just I think we're getting a lot of questions on this.

Moderator: The next question is from the line of Ketan Athavale from RoboCapital. Please go ahead.

Ketan Athavale: Am I audible now?

Gaurav Sharma: Yes, we can hear you.

Ketan Athavale: Yes. I just wanted pre-Ind AS EBITDA guidance.

Gaurav Sharma: Sorry, can you repeat?

Ketan Athavale: I just wanted pre-Ind AS EBITDA guidance.

Gaurav Sharma: Sorry Ketan, we don't provide guidance on EBITDA numbers. So I don't think we'll be able to address that question.

Moderator: Thank you. Ladies and gentlemen, we'll take this as the last question. I would now like to hand over the conference to the management for closing comments.

Gaurav Sharma: Thank you so much, everyone, for joining this call. I really appreciate your time.

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