PVR

09th June, 2021

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Company Code: PVR / 532689

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

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the officials of the Company have participated in the conference call for analysts and investors, on Wednesday, June 02, 2021 for a brief discussion by the Company's management on the earnings performance followed by an interactive Question & Answer session.

Enclosed is the transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

MUKESH KUMAR
Digitally signed by MUKESH KUMAR
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Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

"PVR Limited
Q4 & Full Year FY2021 Earnings Conference Call"

June 02, 2021

ANALYST: **MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

MANAGEMENT:

MR. AJAY BIJLI – PROMOTER & CHAIRMAN – PVR LIMITED

MR. SANJEEV KUMAR, JOINT MANAGING DIRECTOR – PVR LIMITED

MR. GAUTAM DUTTA – CHIEF EXECUTIVE OFFICER – PVR LIMITED

MR. KAMAL GIANCHANDANI – CHIEF OF BUSINESS PLANNING & STRATEGY & CHIEF EXECUTIVE OFFICER – PVR PICTURES

MR. PRAMOD ARORA - CHIEF GROWTH AND STRATEGY OFFICER

MR. NITIN SOOD – CHIEF FINANCIAL OFFICER – PVR LIMITED

MR. RAHUL GAUTAM – SVP AND HEAD OF CORPORATE FINANCE – PVR LIMITED

Moderator: Good evening ladies and gentlemen. I am Pawan, moderator for the conference call. Welcome to PVR Limited Q4 and FY2021 earnings conference call. We have with us today, Mr. Ankur Periwal. 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 any assistance during the conference call, please signal an operator by pressing * and then 0 on your touchstone telephones. Please note that this conference is being recorded. I would now like to handover the floor to Mr. Ankur Periwal. Thank you and over to you sir.

Ankur Periwal: Thank you. Good evening friends and welcome to PVR Limited Q4 and FY2021 conference call. As usual, the call will be initiated with the brief management discussion on the overall performance for the quarter and for the full year, followed by an interactive Q&A session. Management team will be represented by Mr. Ajay Bijli, Promoter and Chairman; Mr. Sanjeev Kumar, Joint Managing Director; Mr. Gautam Dutta; CEO, PVR Limited, Mr. Kamal Gianchandani, Chief of Business Planning and Strategy and CEO, PVR Pictures; Mr. Pramod Arora, Chief Growth and Strategy Officer, PVR Limited; Mr. Nitin Sood, CFO, PVR Limited and Mr. Rahul Gautam, SVP and Head Corporate Finance. Over to you Mr. Bijli for the initial remarks. Mr. Bijli, I think you are on mute I am not able to hear you.

Moderator : Sir, just one moment sir. Dear participants, please stay connected. Mr. Bijli sir? Bijli sir, over to you.

Ajay Bijli : Thank you. Hello?

Ankur Periwal : Ajay sir, hi. Over to you sir for the initial remarks.

Ajay Bijli : Okay, everyone is there. Good evening everyone. I would like to welcome you all for the earnings call of PVR to discuss the audited results of Q4 and for the full year FY2021. Just wanted to start by expressing by sincere wishes to all of you and your families along with your colleagues and friends, hope everybody is in good health in these challenging times. I would also like to thank the frontline workers for their selfless service that they have been imparting since the start of the pandemic. These are challenging times indeed. With respect to our financial performance, the numbers we are sharing with you are after removing the impact of IND AS 116 on lease accounting and these are different from the reported numbers we submitted to the stock exchange earlier today.

So, for the quarter ended March 31, 2021, the total revenue was 191 crores. EBITDA loss was 118 crores and PAT loss was 272 crores, as compared to the revenue of 662 crores in the same period, last year, EBITDA was 59 crores and PAT loss was 48 crores for the quarter ended March 31st 2020. For the year ended March 31, 2021, total revenue was 310 crores, EBITDA loss was 424 crores and PAT loss was 665 crores, as compared to a revenue of, full year revenue of 3452 crores, EBITDA 614 crores and PAT of 131 crores for the year ended March 31, 2020.

As you can see from our results that COVID-19 pandemic has had a huge impact on our business. To withstand this crisis however, the company has continued with its strategy of aggressively controlling costs and also shoring up liquidity. We were able to recover fixed cost for FY2021 by 63% as compared to FY2020. This included a reduction in rent by 79%, CAM by 42% and all other fixed overheads being reduced by 57%. Company was able to shore up its liquidity using a judicious mix of debt and equity. We raised total liquidity of 1600 crores during the course of the pandemic, which included 1100 crores of equity and balance 500 crores from debt. As on 30th April, 2021, the company has liquidity in excess of 750 crores, which I believe is sufficient to sustain its operations and meet all its obligations.

Even though the business is disrupted at the moment, we continue to remain bullish on the growth opportunity that the cinema business has in India. Globally, a pent-up demand for theatrical exhibition of movies has been witnessed, evidenced by the record-breaking box office collection in countries, where theaters have been allowed to open. China has surpassed 3 billion US dollars in BO collection by mid-April 2021, which is almost equivalent to the entire ticket sales of 2020. Some of the movies that have set the box office ringing globally are “Detective Chinatown 3”, “Hi Mom” in China, “Demon Slayer - Mugen Train” in Japan, “Godzilla vs. Kong”, “Mortal Kombat” and now recently “A Quiet Place II” in the US. Closer home, while things were looking better for the exhibition industry, in Q4 FY2021, given the success of regional South Indian films, “Master”, “Uppena”, “Jathi Ratnalu” etc., Hollywood releases “Tenet”, “Godzilla vs. Kong”, “Wonder Woman 1984” and Bollywood movies like “Roohi”, easing up capacity restrictions and the announcement of the release date by producers, however, the second wave of COVID caught everyone off guard with its rapid spread of infection. As infection load is reducing, various State Governments are now talking about unlocking business activities. Having seen the response to the box office collections in markets, where COVID has considerably been controlled, we are pretty confident that our business will bounce back more strongly than ever, once things normalize in the face of mass vaccinations. With these opening remarks, I open the platform for any Q&A. Thank you very much.

Moderator : Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from the line of Mr. Abneesh Roy from Edelweiss. Please go ahead sir. Mr. Abneesh Roy?

Abneesh Roy : Thanks for the opportunity. My first question is… (inaudible).

Moderator : Mr. Abneesh, sorry to interrupt you. Your voice is breaking.

Ajay Bijli : I can't hear Abneesh.

Abneesh Roy : Yeah, one second. So, is my voice clear now?

Moderator : Yes sir, better.

Ajay Bijli : I am trying to understand.

Abneesh Roy : Sir, my question is on the Hindi movie releases in the coming months. So, what we have seen in November to March, Bengali and South Indian movie producers were much more proactive and they were releasing first. But, what we saw was producers for Hindi movies, especially the big ones, were quite cautious and delaying the release dates. Now, what we are seeing is that Hindi belt has seen obviously very high wave two COVID cases. Taking all this into picture, plus the fact that the UK and US markets have opened up, what is your personal feeling on Hindi movie releases? Will the producers again be cautious versus South Indian and Bengali movies in terms of release dates?

Ajay Bijli : So, partly you have already answered your own question. But, I think with the UK and US and Middle East opening up and some of these places becoming an important diaspora of overseas market for Hindi movies, I think now the chances are very high once the things open up. So, only when things open up in India, vaccination is done, say, a couple of months or eight weeks from now, I think the fact that overseas has opened is a big one and Hindi movies definitely are very different from regional movies like South Indian films, because they are only meant for a certain region. And the overseas market is limited. But, Hindi has place across the entire spectrum of the country. So, I think when things get unlocked in most of the States, then I think we will see Hindi movies coming up as well now, as opposed to what happened earlier, because even though India had opened up, the overseas were shut. So, we will see some big movies getting released as soon as things open up.

Abneesh Roy : A follow on question to this is, overseas markets had started opening one month back also. But, we saw a big budget movie like Radhe, come on OTT. Now, we all know that big budget movie on OTT doesn't make a financial sense. So, why do such movies still go on OTT in spite of US and Europe markets opening up and plus knowing that financially it doesn't make sense when compared to a multiplex launch.

Ajay Bijli : I think everybody has got his own, Kamal is also on the call. So, maybe he can also add to my comments. But, my view is that everyone has got his own compulsions. And some people are willing to wait for a theatrical release, because theatrical continues to contribute 60% to 70% of any content's revenues, majority of monetization still happens from theatrical exhibition. So, some people like Sooryavanshi, 83, very big movies which are coming up, they are ready to wait and some people can say that, fine, there is uncertainty just now, cinemas are shut, vaccination hasn't happened, we don't have the holding power and let's release it. So, I think it is an aberration period. And if people want to sort of experiment, it is fine. So, in this particular case as you said, UK and US had already opened. But, India was shut. And India is a very big market for a movie like Radhe, on Eid especially, Salman's movie, they do well. So, they just went ahead and took a call and released it on the OTT platform. But, that is fine. I feel that India has got enough movies coming that if one such experiment happens with a big film also, it doesn't really matter much, because there is enough pipeline coming and there is enough confidence from the film fraternity to support theatrical, which has been proven by international markets as well. And recent examples of movies like, A Quiet Place II, Godzilla vs. Kong, so many films which are coming up on the big screen, which know that the revenue, the highest revenues will come from that. Kamal, would you like to add something to that?

Kamal Gianchandani : Sure, sure. Mr. Bijli has covered everything Abneesh, I would only add that, it was an experiment, Radhe was a big experiment, because it was the first big film to go the pay-per-view route in India. Please keep in mind that as far as the overseas markets are concerned, they followed the window in the overseas markets, so whichever country or territory the film had released theatrically, it wasn't available on pay-per-view model. So, exhibitors across the globe have taken similar position on such matters. Radhe was a big experiment. And I think there is a fair amount of consensus that the experiment has not worked. One would say, unfortunately from overall film entertainment point of view, India has got the market where pay-per-view is not a popular platform. Unlike the US and European market, where pay-per-view is widely accepted and there are experiments in the past which have worked quite decently. India, unfortunately is not in that category. I would only end this point by saying that it is unlikely that any other big film would adopt this experiment or this route going forward.

Abneesh Roy : That is helpful. My last question is on single screen theaters and your expansion into tier-II, tier-III and tier-IV markets. So, in the last one year, the entire industry has seen very tough times, my sense is that single screen would have faced even tougher times. So, any sense of data you have, wherein you can put some number there and how many screens will not come back, because still it will take three-four months for full revival of the industry in the best-case scenario. Second is, in terms of screen addition, does your number go up, because of this? Again, I am asking from a three to four years perspective. FY2022, let us forget, in terms of screen addition, I am not asking that question. Taking normalcy in FY2023, FY2024, FY2025, does your screen addition assumption go up, because it becomes more viable, because competition has reduced either from single screen or from smaller multiplexes.

Ajay Bijli : Nitin, would you like to answer it.

Kamal Gianchandani : Sorry, go on.

Nitin Sood : Kamal, why don't you answer the first part of the question around single screens and then I will take the second part.

Kamal Gianchandani : Sure. So Abneesh as far as the single screens are concerned, it is a mixed bag. What you are saying is correct for a lot of exhibitors, but for a lot of the exhibitors who own their property, who work on skeleton cost structures, you know the damage has not been that severe. They have managed to survive this pandemic phase, especially the ones who have got other resources, other sources of revenue, they have managed to scrape through this pandemic phase quite comfortably. But, then you are right, a lot of the other exhibitors who were totally dependent on exhibition business have suffered a lot. Our sense is, in November till March, when cinemas reopen, it was difficult to assess as to how many cinemas, single screen cinemas did not open because of the lack of content versus number of single screen cinemas, which did not open because they didn't have the capacity to reopen. But, now I think it is becoming more clearer that about, out of the total capacity of about 9000 screens, out of which about 3000 screens are multiplex screens, balance about 5500 to about 6000 are single screens. Roughly 10% single screens may not reopen. But, we will have to wait and see once cinemas are permitted to reopen and once all States start opening cinemas, only then there will be validation of this number. But, at this point, the way we stand looks like 10% of single screens may not reopen. Nitin, over to you.

Nitin Sood : So Abneesh, on your second question about how we see growth panning out in the next three to four years, as we all come out of this pandemic, there would be very few operators who will be left with enough capital to spend on growth. The smaller guys will be struggling to bounce back and revive operations. So what we expect really, I think the bulk of the growth that is happening in the Indian multiplex industry will further get consolidated amongst the big players. You may also see opportunities in the near term as we come out of the pandemic that smaller players who are finding it tough to survive and operate may also eventually want to consolidate with larger operators. So, our sense is that in the next two-three years, bulk of the screen additions will move away from smaller operators to larger operators, who have the capital and the balance sheet to build out new screens and sustain growth over the long term.

Abneesh Roy : So, one follow-up to that and this is my last question. So, you said 10% of the single screen potentially couldn't come back based on your ballpark assumption. So, that is almost 500 to 600 screens. So, my question is in terms of replacement, how does it work normally pre-COVID also? Does a multiplex or a new theater replace that single screen or it just vanishes out of the market and customers who want to watch a movie, move on to whatever is available?

Ajay Bijli : Abneesh, can I just answer? India is in a pre-pandemic and let us talk about normal years, is in a transitionary phase, where an old format (single screen), because of thousand seats does not work. We have also been running single screens for a long time. I personally have been running a single screen also. Thousand seats to fill up day in and day out for fifty-two weeks is not very easy. And therefore, lot of single screens are becoming unattractive to run even pre-pandemic, because you don't get fifty-two weeks of blockbusters, number one. Number two is that Government, in most of the places in India has already given permission to the mom-and-pop or the pop and son property holders of the single screen to convert them into very small commercial outlets of 30000-40000 square feet, while retaining 300 seats or 30% of their seating capacity. So, that is a very attractive proposition also for a lot of people regardless of how, just holding their real estate, restricting it to single screen only. So, the pandemic has just exacerbated the whole issue, that people are trying to capitalize on their real estate value rather than just running it as a single screen. Now, even if it does close down, you still have one screen of say roughly, 300 seats. Now, the other format which is the new format, the multiplexes, the growth of that has got nothing to do with the single screen closing down or opening up. That is the mall driven shopping center driven growth. So, whenever real estate developers are going to be announcing these destinations, where retail is happening, multiplexes can come in over there and that growth will be driven by that. Typically, four to five screen complexes with 1000 to 1500 seats. So, I think one has got nothing to do with the other, if that answers your question.

Abneesh Roy : I understand the mall concept. But, ultimately it is about consumer demand. How does it get met when the screen shuts down? I understood that the screening capacity reduces by 2/3rd from 1000 to 300.

Ajay Bijli : Demand is met by new shopping centers which are opening up, by new multiplexes which open in shopping centers. So, the supply comes from new shopping centers. So, if one single screen with 1000 seats gets shut, you can have even in a smaller town, a multiplex opening up, with four screens with 1100 to 1200 seats. So, that supply meets that new demand.

Abneesh Roy : The screens are unlikely to get converted to multiplexes, is that what you are saying?

Ajay Bijli : Yeah, that doesn't happen. Those multiplexes, the single screen will not get converted into a multiplex.

Kamal Gianchandani : Abneesh, if I could summarize, Mr. Bijli has given a very comprehensive answer, even pre-pandemic, this whole practice of single screen shutting down, either converting into a full-fledged commercial complex or turning into a smaller single screen, with the balance real estate being utilized for some other purpose, this phenomenon was existing even before the pandemic struck the industry. And you know we were losing about 250 to about 300 single screens every year. Some of these, I would say about 100-150 single screens were converting into smaller single screens and about 100-150 were going off the exhibition charts totally. And they were being compensated by the new built multiplexes screens which were mushrooming all over the country. Now, the point that I think we should focus on is that this year and maybe to some extent next year, could be a small aberration, where slightly more number of single screens could shut down. But the demand of these single screens will get diverted to the multiplexes, because it is very difficult to find any city or a town, which has a single screen to be without a multiplex. Almost the entire country, the addressable market that we have, all the cities and towns, wherever you have single screens, there are also multiplexes. So, in case a single screen is to shut down totally, that demand is likely to get transferred to a multiplex, which is there is in that town or that city.

Abneesh Roy : That is very helpful. Thanks a lot sir. All the best.

Moderator : Thank you very much sir. Participants are requested to restrict themselves with two questions and rejoin in the queue for remaining questions. Sir, the next question comes from Mr. Akshat Jain from Paragon Partners. Please go ahead sir.

Akshat Jain : Hi sir. I have question on the cost side. Two questions from my side. So firstly, how much is the monthly cash burn that we have currently? And secondly, how are we on the negotiations front with the landlords on rent and CAM waivers? And is there any permanent reduction in fixed cost that is sustainable?

Ajay Bijli : Nitin, you want to take that?

Nitin Sood : Yeah, I will take this question. Your first question was around the cash burn. In these situations, it is very difficult to comment on a specific amount of cash burn, simply because a large part of our fixed cost are real estate related cost, which is rent and CAM that we pay to property developers. Most of our negotiations for rents and CAM concessions that we had negotiated with our landlord partners were till 31st March of last year, as everyone was expecting business to bounce back. Unfortunately, as the second wave of COVID has hit and shopping centers, malls, and cinemas are shut all over the country, we have begun this landlord discussions once again. We are reasonably confident of getting a large relief from them, as some of these discussions evolve. But, given that nobody has clarity on the opening timelines around shopping centers, malls etc., we clearly have no specific visibility on how much will be the cash burn or how much will be our outgo on that front. And given that it is very difficult to give any specific number of what our monthly cash burn would be, I guess once our negotiations conclude, we will be able to give a specific number. All I can say is that all other fixed cost structure continues to be operating. We have again taken all the specific measures that we took last year to reduce our other fixed costs. And we continue to operate at a significantly lower cost. But, as we have more clarity around these settlements, we will be able to give a specific number of cash burn. Your second question, I am sorry, could you repeat your second question?

Akshat Jain : My second question is that, I think it is on the permanent reduction in fixed costs, is that sustainable or it is going to bounce back once things go back to normal?

Nitin Sood : So, we had given a guidance on that front in our previous quarter conference call as well, that leaving aside our occupancy cost, all other fixed cost of the business including people cost and other overheads, we expect to have a long-term reduction of anything between 10% to 15%. What that specific number will look like, it is slightly difficult to comment till the time the business reopens fully. But we do expect more than 10% savings in other fixed costs.

Akshat Jain : Okay. Thank you sir.

Moderator : Thank you very much sir. The next question comes from Mr. Jinesh Joshi from Prabhudas Lilladher. Please go ahead sir.

Jinesh Joshi : Thanks for the opportunity. Sir, I just have one broad based question on competition. So, given the current situation we are in, is it possible to give some color on how the other key unlisted chains are doing, especially on the cost and liquidity management side. Now, I know it might be difficult to quantify much. But, even some qualitative insights can help us.

Nitin Sood : Unfortunately, we are not privy to that information on how some of these unlisted chains are doing. But, clearly with limited access to capital, I think it is a challenging situation for most of the unlisted smaller multiplex chains, wherever promoters have money from their other businesses to support their cinemas, they are getting that support. But wherever that support is not possible, the respective chain cinemas are all going through a tough time. So, like us, I think most of these unlisted chains have also taken massive cost cutting measures. I think full clarity on how they will emerge out of the pandemic and how the chain will operate will only emerge once cinemas reopen in full and that the Indian film industry starts operations with new film releases.

Jinesh Joshi : Sure sir. But, is it fair to assume that the unlisted chains are doing significantly better than the single screen operator? Is that a fair assumption?

Ajay Bijli : Everyone is in a different situation. It is difficult to, because when we answered the earlier questions also, some single screen people, owners are happy with having a real estate, a prime real estate area of 30000-40000 square feet and they have alternative use to it. So, they would be in a good position. Some people who have leased the single screen may not be doing well. Similarly, (audio break) doing okay and some could not be (audio disturbance), but overall (audio disturbance) it is not a hidden fact that the industry has got impacted by the pandemic. It is one of the hardest hit industries along with hospitality sector and leisure sector and out of home. But, it is just, okay fine, who is injured more, who has got more impacted is hard to tell.

Jinesh Joshi : Sure sir. Sir, just one last bit, with respect to the Bollywood content pipeline that you had shared in the presentation, is it possible to convey how many movies from that list are complete and can hit the screen once multiplexes open? I am not looking out for an exact count, but even some rough approximation will do over here.

Ajay Bijli : I will ask Kamal to answer that, but I just want to tell you that the way PVR is spread out, PVR's regional presence is in North, South, West and East is less. But, our South presence is pretty significant. So, when we look at our line up, we look at everything, not just specifically Bollywood, which is also got proved when we released, when there was a small window when we opened that even the South Indian films that came like Master and all did very well. So, we look at the overall portfolio of films pipeline of movies, not just Bollywood. But specifically, for you, Kamal, if you can just give a little flavor, there were lot of movies ready anyway, like Sooryavanshi, 83. But, it is difficult to put a number on how many movies. Kamal, would you like to hazard a guess or give a little guidance to that?

Kamal Gianchandani : Sure. Thanks Mr. Bijli. A lot of films are ready, because you would recall in March 2021, when the cinemas were still open and the second wave was still to gain momentum, there was a slew of releases which got announced for the entire year. And there almost was a land grabbing sort of a situation which was taking place for the holiday weekends. So, the entire financial year 2021-2022, all big weekends, out of the total fifty-two weekends were totally grabbed, by not just Hindi films, but also Hollywood films and Tamil, Telugu and other regional films. So, short answer to your question is, a lot of the films are ready. In fact, we are in constant touch with the producers; not just Hindi producers but also regional producers. And of course there is a lot of action now happening as far as the Hollywood films are concerned. They've started releasing the summer releases in the US. A lot of films are getting released. So those will also be ready to release as soon as we open. In fact we feel that there would be a lot of anxiety amongst producers to grab the release slots because Hollywood will have a lot of films which will be ready for release. Hindi has got, quite a few films which are ready for release which have been waiting because of these endless delays. So answer to your question is that, a lot of films will be ready and in fact there would be competition amongst producers to grab the good weekends. If you need specific numbers my colleague Rahul Gautham would be able to share it with you offline.

Jinesh Joshi : Okay sir thanks a lot.

Moderator : Thank you sir. The next question comes from Mr. Arun Prasant from Spark Capital. Please go ahead sir.

Arun Prasant : Thank you. You spoke about growth opportunities a short while back. Can you give more specific color on how many new properties are on probably design or in early stage where say location is finalized or LOIs or MoUs with developers are already in place? Some kind of numbers would be helpful.

Nitin Sood : I will take this question. We have a very large pipeline of screens before we hit the pandemic which are ready for handover and which are likely to come up in the next few years. In view of the pandemic, we have currently suspended taking handover of any new sites. We have currently suspended all new capex to fit out new screens. We currently have approximately 19 screens which are absolutely ready to open which we will open as soon as we get an opportunity. I think our decision to recommence our capex program is awaiting on how soon do we come back to normalcy. The screen number is quite large, I do not want to give a specific number but we have a very large pipeline which is awaiting handover where we can potentially start work immediately once we see the business coming back to normal.

Arun Prasant : I was not talking about the handover screen but more where LOIs or agreements are in place with developers?

Nitin Sood : We don’t share that data on what that number is, but we have a fairly large pipeline of screens.

Arun Prasant : Alright fair enough. The second question is on the convenience deal. You had a convenience deal with third party aggregators so it is half way through and we had the pandemic. So any update on the renewal date or the extension dates of such contracts?

Nitin Sood : It’s very pre-mature to talk about renewal dates. The business has largely been shut during the course of the last 12 to 15 months and we have extended some of these deals during the period that we have been shut and given that incremental timeframe. So we still have residual period, we are midway through the contract so there are still a lot of months that need to complete once we reopen before those contracts come up for re-negotiation.

Arun Prasant : So sir, ideally when will it be coming up for renewal suppose if we are opening say from three months from now….from there when will it be…how many months it will take to reach the renewal stage….any color on this?

Nitin Sood : I do not have the specific months but I think we are midway during the contract. We had a 3 year contract, we are somewhere midway during those contracts, so we are still….40% to 50% away from when the contracts expire.

Arun Prasant : One book keeping question. In the future what would be the ideal tax rate, now that you have the goodwill accounting also? Any impact on the future tax rate? Will it be lower? Any color on that?

Nitin Sood : As I said, we continue to operate in the old tax regime which was 35% tax rate regime simply because we have brought forward MAT credit. Our PAT outflow today on tax front is on MAT basis. We will switch over to the new regime of tax which is a 25% tax regime as soon as we exhaust our brought forward losses and existing MAT credits which I think will take at least another two to three years to happen depending upon how the business comes back. But our tax rate then effectively from the existing regime where we are paying MAT, we will shift to the new tax regime where we are liable to 25% tax.

Arun Prasant : Thank you.

Moderator : Thank you. The next question comes to Harit Kapoor from Investec. Please go ahead.

Harit Kapoor : Hi, good evening this is Harit here. I just had two questions. Firstly if you could help us understand; you have about 1300 crores odd of gross debt, any major repayments coming up in the next say 6 to 12 months that you will be refinancing that you can help us with?

Nitin Sood : Rahul do you want to take that?

Rahul Gautam : Sure. Harit, we have a total debt of 1300 crs and a bulk of this is more long-term in nature. The long-term loans are fairly well spread out over the next four to five years with an average repayment of 200 to 300 crs per year.

Harit Kapoor : Okay so that's the number that we can expect even in the current financial year?

Rahul Gautam : That is correct. I think you had a question on re-financing and what we will do about this? So, we keep on updating on what the liquidity position is and depending on credit market we decide whether we want to refinance it or just pay from our cash flow. We will take a call as and when the debt comes up for re-payment.

Harit Kapoor : Got it. And the second question is on the CAM and rent reduction in quarter four. Rent is down almost 50% and CAM is down about 23 odd percent, so while we were negotiating with the landlords, malls and developers, were there usual kind of negotiations where absolute rent numbers would come down more but CAM would not come down to that extent or does it imply that big developers we negotiated with were a bit more unyielding compared to the standalone landlords?

Nitin Sood : The answer to that question is, each of our negotiation is different and independent with each developer and what you see is a portfolio of what we have managed to negotiate. CAM expenses are actual expenses incurred by shopping mall developers in running and operating a shopping mall. While they have reduced these expenses to the extent they can but they are not dependent on occupancy and these are actual costs which has to borne by the existing operators or tenants of the mall. So yes, there is less flexibility in negotiating those costs down because these are typically pass through costs and rental is where the big focus has been and these we have managed to get some good discounts during the period that we were shut.

Arun Prasant : Understood, I will come back for more. Thanks and all the best.

Moderator : Thank you sir. The next question comes from Urmal Shah from IDBI Capital. Please go ahead.

Urmal Shah : Thanks for the opportunity and hope you guys are safe. My first question was on the content line up and more so from FY23 and 24 point of view. So we are expecting that the weaker players in the industry might find it difficult to continue movie production, it is also equally fragmented if not more. So are you seeing on the ground any shake out of smaller producers and which can impact the content line up for FY23 or 24?

Kamal Gianchandani : First point is that producers are used to gaps, it is the nature of the production business. As you rightly mentioned, the Indian market is quite fragmented as compared to the developed market. Each producer produces one, maximum two and only in some cases three films a year. Which means they are used to a gap between 2 releases. So to that end the whole pandemic induced gap producers are suffering from, is longer than usual but it is not something that they are not used to. Number two, is that from our conversations with producers, talent agencies, that we are having, the feedback that we are getting is that….in fact producers have utilized this phase quite wisely and a lot of films, a lot of creative material has been put together, lot of films have been green lit, a lot of sessions have taken place with actors where actors have given their buy in for various projects. The whole development work it seems that this whole time was been utilized very wisely for creating material and taking the buy in from the creative talents. So to that extent it seems that the whole machine is working at the same pace although in a different format, so there is more development, less shooting but the work is going on. The third good news that I say is only with respect to the question you are asking with respect to the content supply is that the actor's fee has not gone down a single bit which clearly shows that the demand for established actors or actresses has not diminished at all. There is no reduction in the quantity of films or the work that these established actors were doing or will continue to do in future. So when you put these factors together and when you look at the slate that has been shared with us by the producers, we see absolutely no flatness as far as production is concerned in the years to come.

Urmal Shah : Kamal sir that was helpful. Just one point, from a capital availability point of view for smaller guys…. as you said the gap between two releases getting elongated, so from the difficulty of having capital for new production, from that perspective also you are not seeing any risk on content for 2023-24?

Kamal Gianchandani : Producers have been fortunate to the extent that the streaming platforms have been big customers of their content, so a lot of producers have infact benefited because there was a mismatch in the year 2020 in terms of demand and supply. So the films which were available which were ready in fact got sold off at good prices is what we are learning now. So a lot of producers have infact benefited in terms of cash flow from the last 12 to 13 months.

Urmal Shah : Sure thanks. Sir the next one is on the growth of FY2023-24; so from your commentary it appears that if things stabilize by the end of FY22, both the capacity addition and the growth can actually see an uptrend in FY23-24. Is that understanding right…either through organic or inorganic the capacity addition can actually be quite strong?

Kamal Gianchandani : I would refrain from making any forward looking statements. I would only say that the quarter three and quarter four of this financial year will see a lot of supply of content because one got bundled up and producers are very anxious to catch release slots. So you will see tremendous amount of supply once cinemas reopen and once there is wide spread vaccination, once the customer sentiment also improves. So you will see a lot of supply of content for the next six months after cinemas reopen and then thereafter start stabilizing. But at no point we see content supply in terms of quality or in terms of quantity going below 2019-20 level as we move forward in the subsequent financial year.

Rahul Gautam : Urmal your question was on capacity addition?

Urmal Shah : Yeah Rahul sir, it was on capacity addition.

Rahul Gautam : Nitin you want to take that? I think we answered it in part of the call but maybe you can take it again, Nitin?

Nitin Sood : Yeah, so as I said, it is very difficult to give specific guidance but we will recommence our capex program once business comes back to normal. If the business bounces back, so will the screen growth also bounce back. What that quantum will be, how many screens will open, I think it is very early for us to give any kind of forward looking guidance. I guess as the year progresses, we will be in a better position to comment on the same.

Urmal Shah : Sure, thank you and all the best.

Moderator : Thank you. The next question comes from Mr. Dipesh Kashyap from Equirus Securities. Please go ahead.

Dipesh Kashyap : Hi, thank you for taking my question. I just have one. Sir many South Indian films did fairly well in the last quarter considering which your total box office revenue seem to be on the lower side. So just wanted to understand based on our internal assessment what is the general market share of PVR in the South market and did you see that coming down in 4Q mainly to single screen players? Thanks.

Kamal Gianchandani : Nitin you want to take this?

Nitin Sood : Yeah. and Kamal you can add on to this. So South Indian movie releases began in January onwards with release of "Master" and most of the industry was still continuing to operate with capacity constraints. We were operating on a 50% seating capacity restriction till mid to end February when these capacity caps were relaxed and we saw more film releases. The performance of South Indian films was quite good and we saw a bit bounce back. In fact if you look at our numbers, the bulk of the admissions are contributed by South Indian films. We saw that in the later months when the capacity caps were relaxed, we were almost doing 50%, 60% levels of admissions of what we were doing in pre-COVID, films were opening to get numbers. I don't think there has been any kind of market share loss specifically. We quickly reached ticket pricing levels which we were operating at pre-COVID levels and also our average F&B spends in cinemas were also close to what we were operating at pre-COVID level. Kamal do you want to comment specifically on this market share question?

Kamal Gianchandani : So, two points. Within PVR's box office revenues the contribution of South India is almost 35%, 36%. Our market share in fact in Jan till March 2020 period, it became better than what it used to be earlier although overall numbers were small because there were fewer films which were coming out but PVR's contribution in market share actually grew in this period. So I am not sure what data you are referring but the way we look at the data, our market share has actually grown in this period.

Urmal Shah : Okay, thank you.

Moderator : Thank you sir. The next question comes from Yogesh Kirve from B and K Securities. Please go ahead.

Yogesh Kirve : Thanks for the opportunity. Looking back a bit when this COVID limited disruptions started in US we saw several deals between film exhibitors and distributors with shorter release window, there were also quite a few simultaneous release on OTT as well. So my question is why something of this sort has not happened in India so far? Does it reflect our comfort that many movies are going to get theatrical release? Does that reflect this? And related to this, now that we are almost in the 15th, 16th moth of COVID limited disruptions, do you believe that we need to be a little accommodative at least from a shorter term perspective in terms of the various terms of business like theatrical windows or the revenue share or the (not sure) a couple of times for the multiplexes?

Kamal Gianchandani : If what I have understood your question, the first part of your question, in the US and other western markets there was a reduction in window, but the same did not happen in India, is that the question?

Yogesh Kirve : Yes.

Kamal Gianchandani : You are right. US market and other developed markets have gone through dramatic reduction in windows and the market has also seen a lot of turmoil in terms of producers launching their own…streaming direct to customer apps and of course because the studios were conflicted and they wanted to service their direct customer apps, a lot of films released directly on streaming platforms. India has also seen some bit of that in 2020 but as compared to Western markets we have been fairly insulated. I think one reason for that is that there is no…..India is not a homogenous market like US. So there is no single dependence on any one type of films. So we depend on Hollywood films, we depend on Hindi film industry. Within regional there are three or four very big industries like Tamil, Telugu, Kannada, Malayalam and then there are smaller industries like Bengali, Punjabi, Marathi and many others. So because the market is fragmented in terms of languages; also within languages we don't have consolidation, we don't have studios operating like the way you have in the Western market. So as a result, an exhibition is much more consolidated. PVR is a fairly large player. Our colleagues in business are also fairly large in terms of scale and size. So exhibitors tend to have a more long-term perspective on these matters and we have been able to negotiate harder as compared to our colleagues in the developed markets. That in our opinion is one reason, but of course there are many other variables at play.

The second question whether Indian market will be more accommodative and would have relaxed windows, we as an important stake holder in the entire value chain, we want to find solutions which are sustainable and which benefit all members of the value chain. At this point it is important that the industry recovers and it recovers fully. Fortunately, what we are seeing in the US market, China Market and other markets which have been able to contain COVID, the recovery seems to be faster than expected. So we want to follow the same trajectory and would be accommodative to do everything possible to ensure that producers have a comfortable time releasing their films and they are encouraged to come forward and release their films quickly. So that's the answer to your second question.

Yogesh Kirve : Okay thanks a lot for that update. My second question is to Nitin. I understand the negotiations with the landlord will take time and are not yet closed. So on the other overheads can we achieve the peak of savings that we achieved during the last year? Can we replicate these savings ?

Nitin Sood : We are following the same practice. I think we must also remember though that we had restarted our operations and all our cinemas we had once again re-opened and we were operating some of the properties till the second or third week or April. So shut down has happened consequent to that but again like we implemented cost savings and cost control measures last year, same practice has been re-initiated once again. What that specific number would be is very difficult to comment right now. I think we will be in a better position as we close the quarter. But yes, all of that has been re-initiated and we have been following exactly the same practice as what we did last year. But you have to remember that cinemas were open for some parts of April and once we shut down there is some bit of a lag effect to cut down some expenses.

Yogesh Kirve : Sure. Thanks a lot, that's all and all the best.

Moderator : Thank you. The next question comes from Harit Kapoor from Investec. Please go ahead.

Harit Kapoor : Yeah, my question has been answered thanks a lot.

Moderator : Thank you sir. The next question comes from Girish Pai from Nirmal Bang. Please go ahead.

Girish Pai : Thank you for the opportunity. My questions…..first one is regarding advertising revenue. Do you see a quick bounce back of your advertising revenue? What are your customers saying, say once we have a bit of normalcy in the third quarter….expected normalcy in the third and fourth quarter? Do you see advertising revenue comeback equally quickly or do you think it is going to happen with a lag? Second point, do you think you need to create some kind of discounted rates to begin with?

Kamal Gianchandani : No, we wont need to give any discounted rates. In fact we are very clear we will have the same rates operational. We don't want to start a new norm in the market. But to answer your first question, yes it will be a bit of a slow burn initially. Advertizing always follows footfalls and more so we will need at least a couple of big blockbuster films to get this entire wheel started. Our guess is that once we open and once we get a couple of big films, we will see advertising slowly but surely coming back on track. We saw the similar pattern for the South Indian films that it took some time but the moment "Master" came in, we recorded some great advertising revenues there in the South. We see the same pattern swelling up as and when we open and then the release of some big films.

Girish Pai : My second question is with regard to support from the government side. There have been quite some noises made around supporting ….affected services sectors…any discussions along those lines you had with the government…are you expecting anything coming your way?

Nitin Sood : Yeah, I will take this question. We have been lobbying with the government to include….extend some kind of a relief to the industry given that we have been significantly impacted. Our lobbying has been at a state government level because some of these costs are controlled and managed at a state government level. Like we have asked for concession in electricity duties and taxes, concession in property taxes which is again a state government issue. At the central government we have asked for some bit of liquidity support in GST relief. The government has come out with a ECLGS scheme which basically to support the sector which are impacted by pandemic. Under the ECLGS scheme III and the recent announcement that the government has announced this weekend, they have allowed businesses in sectors like hospitality which are hit by the pandemic to get liquidity support. Basically the scheme says that any companies which have borrowings in excess of 500 crores you can apply under the program and you can potentially get a six year funding from various banking partners which is equal to about 200 crores. So, 40% of the 500 crores limit which they had earlier imposed. So we can raise another 200 crores of additional liquidity from banking partners under the ECLGS scheme which has recently been amended and announced by the government on Monday. We have already undertaken discussions with our banking partners on the same. We expect that we will get more liquidity support to tide over this pandemic. That's the only relief that has come through as of now.

Girish Pai : Lastly on your pipeline of screen mix, do you think some of the real estate partners would have been under some amount of stress and those screens would not actually not come up over the next three to five years because of them being weaker or whatever?

Nitin Sood : Pramod would you take that?

Pramod Arora : Yeah. We don't anticipate much of a fall. So the process was diligently followed wherein we locate the financial closures of developers when we are signing the agreement. Nonetheless about 10% may be a possible windfall or the screens which may drop down, not beyond that, that's how we are looking at it as of now.

Girish Pai : Okay thank you very much.

Moderator : Thank you sir. That would be the last question for the day. Now, I hand over the floor to Mr. Nitin for closing comments.

Nitin Sood : Thank you everyone for taking out time to attend our Q4 earnings call. In case we have not been able to answer anyone on this call you can write to me or my colleague Rahul Gautam directly and we shall be happy to speak to you and address your queries offline. Thanks very much once again.

Moderator : Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and have a pleasant evening.