

07<sup>th</sup> August, 2023

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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,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that the Company participated in the conference call for analysts and investors on Tuesday, August 1<sup>st</sup>, 2023 for post announcement of Financial Results for the **First Quarter ended on 30<sup>th</sup> June, 2023**.

Please find enclosed the copy of transcript in this regard.

Further, in continuation to our above communication, we also wish to share the below 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://originserver-static1-  
uat.pvrcinemas.com/pvrcms/financial/ENA0820230801148368.mp3](https://originserver-static1-uat.pvrcinemas.com/pvrcms/financial/ENA0820230801148368.mp3)

This is for your information and records.

Thanking You.

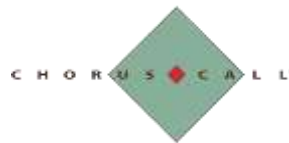
Yours faithfully,  
For **PVR INOX Limited**

**Mukesh Kumar**  
**SVP - Company Secretary**  
**& Compliance Officer**

**PVR INOX LIMITED** (Formerly known as PVR Limited)



“PVR-INOX Limited  
Q1 FY '24 Earnings Conference Call”  
August 01, 2023



**MANAGEMENT:** **MR. AJAY BIJLI – MANAGING DIRECTOR – PVR-INOX LIMITED**  
**MR. SANJEEV KUMAR – EXECUTIVE DIRECTOR – PVR-INOX LIMITED**  
**MR. NITIN SOOD – GROUP CHIEF FINANCIAL OFFICER – PVR-INOX LIMITED**  
**MR. ALOK TANDON – CO - CHIEF EXECUTIVE OFFICER, CENTRAL, WEST AND EAST – PVR-INOX LIMITED**  
**MR. GAUTAM DUTTA – CO - CHIEF EXECUTIVE OFFICER, NORTH AND SOUTH – PVR-INOX LIMITED**

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

**Moderator:** Ladies and gentlemen, good day, and welcome to the PVR-INOX Limited Q1 FY '24 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch tone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you, and over to you, sir.

**Ankur Periwal:** Thank you, Carol. Good evening, friends, and welcome to PVR INOX Limited Q1 FY '24 Post-Results Earnings Call. The call will start with a brief management discussion on the quarterly earnings performance, followed by an interactive Q&A session. PVR INOX management will be represented by Mr. Ajay Bijli, Managing Director; Mr. Sanjeev Kumar, Executive Director; Mr. Nitin Sood, Group CFO; and other senior management, including Mr. Alok Tandon, Co-CEO, Central, West, and East; and Mr. Gautam Dutta, Co-CEO, North and South. Over to you, Mr. Bijli, for the initial comments.

**Ajay Bijli:** Thanks very much. Dear all, I'd like to welcome you all to discuss the unaudited results for the quarter ended June 30, 2023. I hope you've had the opportunity to review our presentation and results, which are uploaded earlier today in our company's website as well as the stock exchange's website.

Quarter 1 of this fiscal started off on a slow note due to weak content in the month of April. However, the box office picked up pace in the month of May with the success of super hits like *The Kerala Story* from Hindi, *2018* from Malayalam, *PS-2* from Tamil, and *Fast X* and *Guardians of the Galaxy Vol. 3* from Hollywood. The momentum continued in June as we record the highest weekend admissions of 2023, primarily attributable to the blockbuster release of *Adipurush*.

We are witnessing a consistent month-on-month increasing trend at the box office collection. The number of Hollywood releases has significantly increased when compared to last year. Strong performance of Hollywood films, especially in urban markets and special formats like IMAX, has immensely benefited us due to a robust presence in these markets and formats. The recent success of Hollywood blockbusters like *Oppenheimer*, *Mission Impossible- Dead Reckoning Part One*, and *Barbie* reaffirms our belief that audiences' enthusiasm for theatrical movie going remain intact when there is compelling content.

Regional movies across languages also continue to do well. Carry on *Jatta 3* has become the highest-grossing Punjabi movie to cross the INR100 crores mark worldwide, *Baipan Bhaari Deva* has become the fourth highest-grossing Marathi movie till date. The success of these regional services is a testament to the growing popularity and appeal of diverse storytelling. We remain optimistic about the continued strong performance of regional movies in the coming months.

Volatility in Hindi films performance has reduced, and we've seen a quarter-on-quarter improvement in the average collection of Hindi films as well, with mid-scale movies like *Zara*

Hatke Zara Bachke, and Satyaprem Ki Katha performing well at the box office. PVR INOX welcomed 33.9 million guests across our cinemas in Q1 FY '24.

Coming to the financial results for the quarter. The following numbers are after adjusting for the impact of Ind AS 116 relating to lease accounting. Total revenue for the quarter was INR1,324 crores, EBITDA was INR100 crores, and PAT loss was INR44 crores. Proforma financials of PVR-INOX combined for the same period last year, were revenue was INR1,590 crores, EBITDA was between INR338 crores, and PAT was INR142 crores.

As we look ahead to Q2, we are quite optimistic about the robust content lineup across all languages. Over the next couple of months, we have several exciting Hindi movies lined up for release like OMG 2, Gadar 2, and Dream Girl 2 in August; and Jawan starring Shahrukh Khan in September. From Hollywood, we have Meg 2, Blue Beetle, Gran Turismo in August. The Equalizer, The Nun 2, A Haunting in Venice, and Expendables 4 in September, amongst others.

From the regional genre, we have Jailer starring Rajinikanth, Bholha Shankar starring Chiranjeevi, and King of Kotha starring Dulquer Salmaan in August, Salaar starring Prabhas and Kushi starring Vijay Deverakonda and Samantha Prabhu in September, amongst others.

On the screen openings, PVR INOX opened 31 screens in Q1 FY '24 and closed 14 underperforming screens, which form part of the 50 screens that we had guided for closure in line with our strategy to focus on profitable growth and improve unit-level economics. Our screen portfolio, including 38 management screens, stands at 1,707 screens across 361 cinemas in 114 cities in India and Sri Lanka.

Now I open the platform for any Q&A. Thanks once again for joining.

**Moderator:** Thank you very much. The first question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

**Abneesh Roy:** Yes. Thanks it is Nuvama Institutional Equities. I have three questions. My first question is on the footfall. The last three four quarters, we are seeing that number of admits is broadly in the 30 million to 37 million. And now this month and the last few weeks, we are seeing a word of mouth has also been good and no controversy for the Hindi movies. Three back-to-back, very good Hollywood movies, Oppenheimer, Barbie, MI, etcetera.

So would you say that now we are moving from a say, 29 million, 33 million to a much more robust number? Even Hollywood is also doing well. Regional is doing well, south is also, reasonably okay, but finally, Hindi seems to be doing well, and there has been some delay also. For example, Jawan got delayed by a few months. So is this helping to have better VFX better marketing, etcetera. So what would be your take on Hindi movie revival and sustainable footfalls in the coming quarters?

**Ajay Bijli:** I think Kamal, would you like to answer that? Hindi movies, right?

**Kamal Gianchandani:** Abneesh, I think you've -- in your question, you captured all the reasons quite well. And it is definitely, April, May, June were throwing a lot of positive signals in the narrative that Mr. Bijli

gave in the opening statement he captured a few films which have done well, and those were very positive signals in the first quarter. We could see the buildup happening. And with the success of the three Hollywood films now Rocky Aur Rani Ki Prem Kahani. I think we are all set for a take-off.

We would not like to get into any specific numbers, but Hindi films definitely are finding favour with the audiences. A lot of -- and Jawan, like you mentioned because of VFX and to augment the marketing effort to ensure that they give the best output in terms of a film, a finished product to the audiences. They have taken more time, and I think this augurs well for the exhibition space and also for the filmed entertainment spaces on the whole. So it's all looking very positive without getting into specifics in terms of numbers.

**Abneesh Roy:**

One follow-up I had on the Hollywood, which is doing really well, passed few weeks. We also have the Hollywood strike, which is happening, so both on the scriptwriter, there's a strike, and also on the main star cast also now joining the strike. Now this could impact... So this would impact the marketing of the movie. The movies may be ready, but if the marketing doesn't happen, then the release again gets impacted, and next year, in fact, the pipeline gets impacted. So would you be really worried about the Hollywood strike? Or do you think this will get self-resolved at some stage.

**Kamal Gianchandani:**

So we believe, it will get self-resolved at some stage and that some stage will hopefully be the next we reckon five to six weeks. But that said, this is one of those areas. This is like whether we have no control over this, but we are watching it very carefully. Our sense remains that over the next four weeks to six weeks, there would be a solution because studios and both the Actors Guild, as soon as the Writer Association, they're working very closely.

A lot of what we are seeing in media is also part of the negotiation, but we understand from people we are talking to in Hollywood that there are -- the backroom channels are working at full speed, and there could be a solution at any point in time.

**Ajay Bijli:**

And currently, the lineup of Hollywood movies continues to remain very robust. We have plenty of movies coming. We have Dune Two, The Equalizer, Expendables, Aquaman?

**Kamal Gianchandani:**

Again. So at this point, there is absolutely no delay. If you were at the point that you mentioned that, with the actor's unavailability for promoting films, that could have an impact. We had the same challenge with Oppenheimer, and we've all seen the kind of results we've got. So, fingers crossed, we're watching it very closely, and we will see how the situation unfolds.

**Abneesh Roy:**

Sir, thanks, that's useful. My last question is on the very good scale up in SPH, 9% quarter-on-quarter versus ATP, only 3%. So how much of the work in terms of augmenting INOX in terms of some of the requirements on the F&B side is already done? So what is driving this sharp-up move quarter-on-quarter that's much higher than ATP? And how much is the job done in terms of INOX also being brought up? Of course, PVR also is a continuous process. I wanted to understand that a bit.

**Alok Tandon:**

So Abneesh, work has been done with synergy of F&B concerned. A lot of the INOX properties have now -- the menu has been changed. The new SKUs have come into place. And also new

items like microwave popcorn, instant popcorn, all those things have been added. To take it further, a few INOX properties are also now selling non-vegetarians' food. So whether it is the changes of SKUs of popcorn and Pepsis, or Coke or whether it is introducing new MRP items or whether it is changing the sales mix, all these have contributed for increase in SPH.

**Kamal Gianchandani:** And I would like to add to the comment you made on the average ticket price, we continue to remain buoyant. We are quite happy with the 3% growth that we've seen in this quarter. You would also appreciate that we are comparing this quarter, which was lacking blockbusters totally, and we're comparing it to Q1 of last financial year, which was full of blockbusters, one after another.

And as you know, our ability to charge in terms of ticket price goes up, and the willingness of consumers to accept our offering goes up, when we have blockbusters and bigger films. We expect the second quarter to sort of makeup for the average ticket price growth. We remain quite positive on ATP growth as well.

**Abneesh Roy:** So one very quick follow-up there. In terms of the F&B and overall, what you're doing, I'm seeing a lot of innovation, marketing innovation also being there, for example, in non-prime time, this INR99 Samosa and all those, which are otherwise much higher. How is the response to that? What are you learning? And similarly, thirty-minute INR1, I think the cost in terms of the trailers, what is the response? What is your learning from there?

**Gautam Dutta:** Okay. So on the trailer show, we've got a fantastic response. We are trending close to about 22% occupancy on these shows. And what is most encouraging is that roughly about 40% of the audiences, who are coming to watch these trailers are actually being tracked on booking a ticket to watch a film of one of the trailers that there was.

So clearly, this technique is working. It's just that given the fact that it's a trailer so for half an hour, nobody comes all the way to a cinema to watch the show, it's people around the mall and the destination who technically walk in to watch this half-an hour show. So that's on the trailer show. On the -- what was your other question?

**Abneesh Roy:** On the INR99?

**Gautam Dutta:** Yes, that's been exceedingly well. In fact, all the chatter around F&B pricing being too high is completely now mitigated. We've got fantastic strike rates at the cinema. Now consumers are able to club both tickets as well as F&B as a holistic experience cost and which they are finding it a lot better, and we feel it's very timely done, both for weekends as well as for weekdays. And clearly, it's showing a great positive move for the F&B.

**Abneesh Roy:** Sir, thanks. That's all from me. Thank you.

**Moderator:** Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

**Jinesh Joshi:** Yes, thanks for the opportunity. I have a bookkeeping question. If I look at our convenience fee, it has fallen by about 23% year-over-year on a pro forma basis. But if my understanding is

correct, we typically enter into contracts with ticket aggregators, and the minimum guarantee generated over time towards the term of the contract, which you essentially impact, there should not be a substantial rise or fall in this income. If you can, just explain the reason behind this 23% fall?

**Nitin Sood:** Yes. So two things. One, our contract with BMS came to an end earlier this quarter. So PVR has renegotiated the contract. The contract is more on a revenue share basis and not with a minimum guaranteed commitment. Secondly, also, this is also the first quarter, where INOX contract is also consolidated. INOX is already on a revenue share basis. So part of the impact that you see is due to drop in admissions and when you compare it with Q1 of last year. And that's partly the reason. And secondly, there is no minimum guarantee. Now it's a pure revenue share contract, which is similar to the previous term.

**Jinesh Joshi:** Can you share, what is the quantum of our share in this arrangement?

**Nitin Sood:** No, we'll not be able to share any specifics with respect to the contract.

**Jinesh Joshi:** Sure. And sir, my second question is with respect to the debt level, which were up by about INR150 crores on sequential basis. If you can elaborate a bit on this, because if I recollect properly, in the last call, you highlighted that our net debt levels will remain more or less constant. And the capex funding will happen via internal accruals, but we have seen the debt level move by about INR150 crores odd. So any reason behind this?

**Nitin Sood:** So first of all, debt levels have only moved up by INR70 crores at a net debt level, not INR150 crores. I think our gross debt has moved up, but that is because of our strategy to keep more cash on the balance sheet. So net debt is only up by INR70 crores. And we stick by the guidance that we've given, but there will be quarter-on-quarter volatility.

Some quarters which are -- because we are on a capex plan, we are fitting out screens. Some quarters, which have a lower EBITDA, you will see debt levels marginally rising. In some quarters, where we have higher EBITDA, you will see debt levels decreasing. But on an annual basis, there is no change.

**Jinesh Joshi:** Sure, sir. So actually, I was actually referring to the gross debt number, but nonetheless, that's okay. Sir, one last question from my side. I mean we have the Cricket World Cup come up in India in the month of October. And historically, we have been airing the matches on the cricket side as well. So any particular contract you are executing with ICC this time around? Or where are we on that point, if you can just share some thoughts on that?

**Gautam Dutta:** So we are in the process of signing the contract, and we will screen just about any match that we wish to in the tournament. So we will pick on those important matches, and we will be screening those matches, specifically all the India matches.

**Jinesh Joshi:** Sure, sir. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Arun Prasath from Avendus Spark. Please go ahead. Mr. Arun -- ladies and gentlemen, we've lost the line for the current participant. We

proceed to the next question from the line of Harit Kapoor from Investec Capital. Please go ahead.

**Harit Kapoor:** Hi, good afternoon. I just had two or three questions. One was on the special format slide which you posted in the presentation. Given that experiential films are actually doing even better probably than even Pre COVID levels. Is there a view that this 13.5% salience, which is special formats, should be increased further? I just wanted to get your outlook on how you're thinking about this...

**Ajay Bijli:** Yes. I mean this is already 13.5%, and as the slide said, in 229 screens, have some special format. Definitely, this differentiates us even further from any other format of movie watching. And consumers have given their verdict when they go out, and they see these movies, they become more impactful. As I said, big movies become even bigger.

So we are rolling out more and more of these in our various properties, which are coming up. And also in some of our existing properties, which were retrofitting and renovating, we are also introducing various formats like IMAX, ICE, 4DX, MX4D, and also LUXE, Insignia, and Director's Cut. So all these special formats, definitely have further room for growth.

**Harit Kapoor:** So in terms of our overall mix, this number should keep increasing. Any targets that you have in place in terms of percentage of total screens, maybe one year, three years out?

**Nitin Sood:** No. We don't look at it from that perspective. We look at it very specific to each market and what is the right fit for each market. Obviously, this percentage will grow and would land up anywhere between 15% to 20%, but very difficult to put a target of any specific numbers because we're very focused on building the right product for each market, but we should get to anything between 15% to 20%.

**Harit Kapoor:** Got it. And the second question is on the cost side. Is there any expenses incrementally that you want to call out on account of merger, etcetera, any costs there in Q1? Or what was there in Q4 is just pretty much done with ?

**Nitin Sood:** Yes. I think merger-related pretty much we're done with most of the expenses. So there is no merger-related expense appearing in Q1.

**Harit Kapoor:** Got it. And lastly, I just wanted to understand your occupancy maths on your numbers. The occupancies are kind of flattish on a Q-o-Q basis, while footfalls are up more than 10%. Is this only primarily due to a higher number of shows? And was that only the impact of June? Just wanted to get your sense on that.

**Nitin Sood:** That's correct. We've played a higher number of shows this quarter, and that's the reason, the occupancy percentage is appearing similar to what it was in Q4. February and March are very slow months for us, and we had cut down a lot of shows during those two months. So yes, we increased the number of shows during this quarter.

**Harit Kapoor:** Got it. I have some more. I will get back in the queue. Thank you.



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

**Jay Doshi:** Hi. Thanks for the opportunity. Nitin, is it possible for you to give us some colour in terms of where are you in the journey of capturing synergies that you had called out? What percentage of that overall target that you have set, you've already achieved that? That's my first question.

**Nitin Sood:** Yes. It's still early days. We've begun a lot of work on that front. F&B is the first one which has kicked off, and we are seeing some very promising results. We're already seeing some part of the synergy kicking in, in Q1. But more will follow in Q2, Q3, and Q4 later this year as we implement more and more initiatives across the chain. So F&B is completely on track.

Bulk of our ticket price synergy will flow in, in Q2, Q3, and Q4. Quarter 1 was when you compare it to Q1 of last year was -- it was not possible to get a ticket price increase at that level. But we harmonize a lot of stuff at the operating level, including harmonizing the programming efforts, ensuring the shows are programmed quite well, ticket price standardization, all of those initiatives have been implemented on the ground, and they will start reflecting in Q2, Q3, Q4.

Advertising is one number, which is currently lagging behind. Once the box office recovery plays out. Maybe the latter half of this year is when that will start kicking in. On the cost front, we are running absolutely on track, in fact, running slightly ahead of what we had thought we'll be able to achieve. And in Q2, Q3, we will start getting some of the synergies reflected in the bottom line. And maybe later part of this year, we will be sharing an update on where we stand with respect to the synergies.

**Jay Doshi:** Understood, thank you. And second, on the earlier question on Cricket. Now this World Cup is a one-day format, right? So for that duration, have you in the past experimented and what is the kind of traction and demand that you anticipate for it?

**Gautam Dutta:** So we have done many shows for one dayers, and typically how it works is that we go to corporates who end up sponsoring a certain match. And they are the ones who would call in people, it could be the whole lot of dealers or consumers that they would kind of invite. Some bits of the tickets in the auditorium are also left for us to sell at the box office. So that's how it's largely done. People come and go, and it's like a bit like a carnival or a mela, that happens at the cinema.

There are face painters and dholwallahs and stuff like that. So we make it out of really like a carnival. And in the past, we've seen some of the key matches garnering some great interest across. And so we have to be choosy about the matches we pickup. It can't sort of play out for all the matches, but surely, some of the key matches and the India matches will be sort of picked up for screening, and we are 100% sure that, we will get corporate sort of participation for this as well.

**Jay Doshi:** That's helpful. Thank you so much.

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

**Arun Prasath:** Thank you very much for the opportunity. The first question is on ad revenues. As you mentioned, it is to yet to recover completely. Can you just give me a high-level category commentary on what is lagging -- what has recovered? Is it because we have already more or less seen footfalls coming to normalized levels except for Hindi. So should we assume this is a normalized level of the ad revenues?

**Gautam Dutta:** No, clearly not. I think starting Q2, as Nitin had just mentioned, the recovery will clearly be seen. And by Q3, which is also the festive period, we will see fairly normal levels of advertising coming back, thanks to some of the big releases that happened in the month of July, the overall -- the noise level around cinemas is a lot better now, very positive, and we are getting some big accounts back.

What was missing has been the absence of some long-term campaigns because of the overall negativity in the market about which films are doing well, is Bollywood be able to deliver success or not, and when Hollywood films would do well. All that noise has completely died out now.

And we are now over the next 60 days to 90 days in the market to close some of the long-term deals. Even sectors like telecom and consumer durables is something that, we believe will come back very strongly even -- and hopefully, we'll be able to post some very strong numbers starting Q2.

**Arun Prasath:** Okay. So this confidence obviously depends upon the footfalls coming back. Is that the right understanding?

**Gautam Dutta:** Actually, both in advertising and more than even footfall, you need big banner films, and you need a certain positivity. The good thing is that happened. Clearly, films which have performed have left a dent with the advertisers to say that they've missed out on an opportunity. And we have -- the entire teams have kind of used this as an opportunity to create more conversations with clients.

So the hard work is all done. And now, we are ready to reap the benefits of some of the good marketing that has been done by these films over the last couple of months. So we are now on the path. It's not as if we are waiting for any more recovery to happen.

**Arun Prasath:** You mentioned long-term deals with advertisers. Was it the case pre-COVID as well or it was more like a spot selling??

**Gautam Dutta:** No, it was always there. We always had about 10, 15 very big clients, who would be with us advertising for 8 months to 12 months of the year. Those were kind of missing in action so far, and we hope to get them back very soon.

**Arun Prasath:** Understood. Right. And my second question is on the box-office collection from regional, which seems to be around 20% of the overall regional box office PVR INOX share is close to around 20%. Whereas for Indian- Hollywood it is almost at 50%. What are our plans to address this anomaly? And why -- what are the current bottlenecks we are facing in achieving this?

- Kamal Gianchandani:** Could you repeat your question, please? Your voice was cracking. We couldn't get the question properly. Could you please repeat it?
- Arun Prasath:** I was asking if you see the total regional box office collections, and our share of the regional back office is close -- it's hovering around 20s whereas in Hollywood and Hindi it is around 50s. What are the steps we are taking to bring this regional box office at par with the share of regional box office at par with the other language this was my question?
- Kamal Gianchandani:** So that's a very good question. We just need to grow more in the Southern territories, the Southern films, regional films. And when you say regional, I'm assuming you're referring to the South Indian films because for Punjabi films, Marathi films, the contribution of PVR INOX even for Gujarati and Bengali films, contribution of PVR INOX is similar to Hindi. But for Southern films, because it penetrates deep, it travels deep into smaller centers. We need to increase our penetration more that's the road map. I would just leave it at that.
- Arun Prasath:** But it's -- so that means most of the -- you need to go into, say, Tier 2, Tier 3 cities, but obviously, the mall coming up in these say cities or towns is obviously not up to the mark. So, this roadblock will always be there, or we can do something about it?
- Nitin Sood:** So, we are adding -- we've already guided that we are adding a lot of screens in South India. In fact, 40% to 45% of our total screen additions right now are in South India alone. And we will build according to the right opportunity. We are entering new cities every year. This year, we've entered Machilipatnam is a city where we're entering. We entered Armoor, we've entered in, Nizamabad earlier last year. So, a lot of new city additions are happening as we go along, but we wait for the right opportunity to build a PVR property. And even in big cities, we are adding a lot more cinemas. We just opened a very large 12-screenplex in Bangalore with Prestige in Kanakapura and that hit the road running. It's already performing very well in the first two weeks itself. So there is a lot of focus on adding more screens in South India.
- Arun Prasath:** Understood. Just one last question on this.
- Moderator:** Thank you. The next question is from the line of Lavanya Tottala from UBS. Please go ahead.
- Lavanya Tottala:** Hi, thanks for the opportunity. So just book keeping questions, I just wanted to check how you see employee costs going ahead in the upcoming quarters and also the depreciation as you reduce the number of screens going ahead along with the additions.
- Nitin Sood:** So, employee costs will grow with inflation. We are bound for a large part of our workforce with minimum wage increases. And from a headcount perspective, at least at a site level, we are at the optimum headcount level. So I don't see any reduction at least at a site level. So, that cost will grow with inflation or with minimum wages, as the case may be. At the depreciation level, I don't see any significant impact while we are shutting down screens. Most of those screens have come to the end of their life cycle. They're already depreciated to a large extent. So depreciation would only change based on the new screens that we are adding effectively. So, no big substantial change other than addition of depreciation of new screens.

- Lavanya Tottala:** Okay. So anything on the no interval high ticket pricing like a continuous screening -- any different kind of offering that you are planning or -- no intervals, no ads, but at a higher price, something like -- similar to OTT, but a bigger screen experience?
- Gautam Dutta:** No, really. We aren't planning anything screening without an ad or an increase in the ticket price on account of no ad. No, that isn't in the plan.
- Lavanya Tottala:** Okay, got it. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nikhil Garg from BNP Paribas. Please go ahead.
- Nikhil Garg:** Hi, sir. Thanks for the detailed presentation. I have a couple of questions. One on quarterly results, and the second on -- second which is more structural in nature. On quarter results, if I look at on a Y-o-Y basis, your EBITDA is down from INR300 crores to INR100 crores and this is despite higher ATP, F&B spent per head, lower volatility in Hindi movies, and a much higher number of Hollywood movies also on a year-on-year basis. So, would it be fair to say that to achieve INR300 crores of EBITDA, we would need one all months to fire and probably two big hits every quarter and if we have like one big hit only like Pathaan in Q4 or Avatar 2 in Q3, then we would be somewhere in the middle. So that's my first question?
- Nitin Sood:** Yes. So, the answer to your first question is that our business is a very high operating leverage business. We run a certain fixed-cost structure for all the properties that we have, and number of footfalls have a direct impact on the overall profitability of the business. When you compare it with Q1 of last year, Q1 of last year was one of the best quarters ever in the box office history. We had almost 1 crore more footfalls than this quarter. And that is -- that reflects the operating leverage directly on the bottom line.
- So obviously, Q1 has been a slow quarter. April was a very slow month, and May and June have built up, but we're still trending significantly below on footfalls as compared to what we did in Q1 of last year or even prior to pandemic. So, as the momentum picks up, July has been an excellent month. And as the footfalls increase, the operating leverage due to higher admissions will reflect directly on the bottom line. So, that's broadly the answer to your question.
- Nikhil Garg:** Sure. And just to add to this question only and on a quarterly result basis. So basically, you could -- given the content remains also volatile on a quarter-on-quarter basis. So, we could expect this kind of volatility to continue. I mean, it's not that something structurally has changed for the content to be on an improving trajectory from here, and therefore, we don't expect the volatility in content going forward?
- Nitin Sood:** No, we can't -- we don't have an answer. We can only say that there is a good line up of content, a lot of pessimism around Hindi film underperformance, which was there and has been kind of done away within the last few months. We've seen small-to-mid-budget films doing quite well. So, the volatility in the Hindi box office is reduced considerably. The share of negative noise has died down. Films are hitting INR100 crores benchmark, and we have a good line up ahead. Hollywood film slate, which was very low last year has got supplemented. This has been one of

the best Hollywood performances over the last few months, and all the films there have been doing exceptionally well.

So Hollywood is back both in terms of content availability as well as box office performance, and regional films continue to be a stable fare. Yes, there will be quarter-on-quarter ups and downs depending upon what content is coming up in each quarter, but we see a lot more stability in all the language content. And that is reflected in the back-to-back success of the last 4 films or 5 films starting from May with Kerala Story, then Zara Hatke Zara Bachke followed by the Kartik Aaryan film and then MI7, Oppenheimer, Barbie, and Rocky and Rani. So, there is a lot of positive sentiment, and this is something that which we have started this quarter, and hopefully, this will continue in August and September.

**Nikhil Garg:**

Sure. Sir, the second question is, have you given a thought on stopping expansion in metro cities? The reason why I ask is that like, for example, if the demand for a particular movie is more than supply for that particular week, then our footfalls move to the second week, which in fact should be more profitable for us, right? Because second week the distributor share would be lower, and you would get more. But expansion in metros will prevent that.

Second, in the scenario where demand is, in fact, less than the supply for that particular movie for that particular week, our occupancies, in fact, take a bigger hit, and therefore, our profitability also goes down. So, are we thinking something on like stopping expansion in the current metros like Delhi, Bangalore, where we already have enough presence, and going into more into Tier 2, Tier 3 towns only?

**Alok Tandon:**

No, that's not the case. We are not stopping our expansion into metros. And way you talk about going into Tier 2 and Tier 3, we are already present in, whether it's a metro or Tier 1, or Tier 4. So we are present all over. We have a presence in 114 cities. So, just to tell you that you said that there will be more footfalls in metros. My only answer to that is that today India is a very under-screened nation. We still have about 3.2 multiplex screens for million population and about 8.5 screens to 9 screens per million population if I add all the screens in the country. So, today also there's a lot of opportunity for us to grow. And I don't think that we as a chain will ever stop expansion, whether it's a metro or even in a Tier 4.

**Nikhil Garg:**

All right sir. Thank you very much.

**Moderator:**

Thank you. The next question is from the line of Rohit Gupta from Fullerton Fund Management. Please go ahead.

**Rohit Gupta:**

Hi, thank you. Thanks for taking my question. Based on the current net-debt levels, business outlook and screen addition plan, do you see any need for fund raise, let's say, in the next one year?

**Nitin Sood:**

No, we have no plans to do any fundraising during the next one year. As we've guided, we intend to fund all our growth from internal accruals. So, there is no plan for any fundraise.

**Rohit Gupta:**

Okay. Thank you.

- Moderator:** Thank you. The next question is from the line of Abhishek Banerjee from ICICI Securities. Please go ahead.
- Abhishek Banerjee:** Yes. First question on the revenue sharing contracts, which you have been discussing with a lot of the landlords, could you give some color on how that is working out, especially now that crowds are back to the theatres?
- Nitin Sood:** No, are you talking about existing properties, are you talking about new properties I am not very clear?
- Abhishek Banerjee:** New properties, new properties as well as existing properties that you're managing to renegotiate?
- Nitin Sood:** Yes. So, all of that is work in progress. Most of the new properties are structured on a minimum guarantee or a revenue share basis, whichever is higher. That is broadly the structure of our deals. The minimum guarantees have come down from what they were, and the revenue shares are where they were. So, yes, we have been quite successful in pretty much renegotiating most of our leases for upcoming properties and have achieved a lot of success. In some of our existing properties, which are underperforming where the rental cost is high, we are currently in discussions with some of our landlords and hopeful of getting some success there as well.
- Abhishek Banerjee:** Understood. And one more thing on this thing, so post the merger I'm sure you would have a lot of properties where there is a significant overlap of the catchment area. So, the recent closures that you announced, will that also be to kind of reduce the overlap of properties?
- Nitin Sood:** Not really. I think from a screening capacity perspective. I think the bulk of the screens which we are deciding to shut down are in catchments which are either run down or we built cinemas 10 years or 15 years ago. Those malls have become dilapidated and have not become relevant with the passage of time or in a lot of cases, those malls cannot also be revived, and the properties cannot be revived. So, as a result of which, we have decided to shut them down. In some cases, there could be overlap situations as all. But generally, as a principle, I don't think that's a big area for concern and the reason for shutdown of any property.
- Alok Tandon:** So overlap is not a concern at all and areas where we do have overlap, we do our programming differently. So for any guest when he does not get a ticket in one particular plex, he can walk across or just drive across in a few minutes to the other property. So we're using that to our advantage to have different programming so that a guest is never turned back in a high-volume day because of a lack of tickets.
- Abhishek Banerjee:** Understood. And just one last question, so regarding what do you see in this month, July. What would you say -- I mean, I know you might not be willing to give out a number, but qualitatively speaking, how would you rate this month in terms of the historical trends because 60%, 65% kind of occupancies in English movies I don't think I've ever heard of that kind of occupancy in this business?
- Kamal Gianchandani:** Well, we are always buoyant about the prospects, and sometimes our business has peaks and valleys. There are times when we peak in terms of occupancies, and there are times where films

underperformed vis-a-vis expectations and results are not occupancies, and percentages are not as per expectations. So, it's difficult to predict, and we've always sort of encouraged our friends in the analyst community to see the business on an annual basis and not on a quarter-to-quarter basis because quarterly occupancies can be fairly volatile. At this point, like we mentioned earlier, we've been seeing positive signals in April, May, and June. We look pretty set to take off in terms of admission numbers. So, we are fairly positive, fingers crossed. I think we will see numbers hopefully that we've not seen before.

**Abhisek Banerjee:** Perfect, sir. Thank you so much. Best of luck for the next couple of quarters.

**Moderator:** Thank you. The next question is from the line of Anurag Dayal from HSBC. Please go ahead.

**Anurag Dayal:** Hi, thank you for taking my question. Could you give some update on the loyalty program, as – as the loyalty program for PVR INOX is integrated already or we have some plans, and what is the membership today and do you track what percentage of the ticket at least internally, what percentage of ticket sales come by our new loyalty programs, and your plans ahead?

**Gautam Dutta:** So, we have close to about 20 million each members, both for PVR and INOX, so about 40 million in all. However, our current loyalty program is coming towards an end. We have already issued a communication to all the members across PVR and INOX to say that the points-based system is coming towards an end. And towards H2 of the year, we will embark on a new personalized loyalty program, which will really focus on a little more active involvement of the consumer and seeing how we could sort of push the consumer for higher consumption at the cinemas.

**Anurag Dayal:** Great. Thank you so much. And just one small bookkeeping question. So, there have been sequentially 39% jump in electricity and electricity charges. So, is there any one-off here, or what's the reason behind it?

**Nitin Sood:** No, there is no one-off here that the nature of our business, that is due to change in seasonality. We have a lot of properties in North India and then winter you don't have high air conditioning bills. In summer, you have air conditioning bills which are fairly high. So, there's nothing that's quite normal in our business. Q4 is the lowest quarter in terms of electricity consumption in Q1, Q2, Q3, the electricity consumption is high.

**Anurag Dayal:** Okay. Thank you so much sir.

**Moderator:** Thank you. The next question is from the line of Pulkit Chawla from Emkay Global. Please go ahead.

**Pulkit Chawla:** Hi, thanks for the opportunity. So, just wanted to get a sense on the Bollywood movies releases. So this quarter, you're expecting probably 6 Bollywood to 7 Bollywood movie releases, and probably the next quarter will be a similar sort of number. Now pre-COVID the number of Bollywood movies release is cost used to be slightly much more higher. So, is this concern regarding the number of movies getting released in the first place?

- Kamal Gianchandani:** I think the films are -- have been fairly steady in all quarters, and we continue to solidify. But our problem in the past has been the quality of films. The success ratio of Hindi films performing at the box office has left a lot to be designed. I think the good news is that the success rate is improving in a noticeable and a firm manner. So, thankfully, in this quarter and in the subsequent quarter, including third quarter, we have some very strong quality films, compelling content, and fingers crossed again. Hopefully, the success ratio will also be better than what we've seen in the last few quarters.
- Pulkit Chawla:** Thanks. That's helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of from Centra Insights. Please go ahead.
- Jensen Jacob:** Hi, thank you for taking my question. My question was on the growth front. This quarter, we have only added 18 screens, and could you please throw some light on why are these additions have been so low?
- Alok Tandon:** Well, I don't think that the additions are low. We have opened 31 new screens in Q1. And in Q2, as we speak, we have opened another 15 screens and as recently as afternoon we opened one in Patna. So, overall, we have already opened in this financial year, 8 properties and 46 screens, which I don't think is low by any standards. And the target which we have given for opening the number of screens this year will be on target to achieve those.
- Jensen Jacob:** Okay. So what is the target that you have given as the combined entity?
- Alok Tandon:** Well, it's about anything between 150 screens to 160 screens to 165 screens. And as I said, we have already opened 46 screens till today, and we are on target for the remaining.
- Jensen Jacob:** Okay. Thank you that's from my side.
- Moderator:** Thank you. The next question is from the line of Sumit Sarma from Compound Everyday Capital. Please go ahead.
- Sumit Sarma:** Thank you. So I appreciate the guidance that you have given that you would want to grow only through internal accruals, but I wanted to go a step further and maybe ask that given the content volatility and a high fixed cost structure inherent in our business, do we have an aspiration to go zero debt and improve the resilience and robustness of balance sheet?
- Nitin Sood:** Yes, I think that will automatically happen with the passage of time as the operating earnings start kicking in. The focus will be post-growth, whatever is the free cash flow left to reduce the leverage on the balance sheet, and that's the way we think about the business.
- Sumit Sarma:** Okay. So do you have any medium-term period target, maybe 3 years, 5 years, you want to do that?
- Nitin Sood:** Yes. I think we should get there in 3 years to 5 years, maybe earlier, depending upon how soon the operating earnings bounce back and what is the free cash flow generation based on that every year.



- Sumit Sarda:** Thanks now. That's all I have. All the best.
- Moderator:** Thank you. The next question is from the line of Khush Gosrani from InCred Asset Management.
- Khush Gosrani:** Yes, hi. Thanks for the opportunity. Sir, I just wanted to ask a lot of the medium-tier volume films are going towards OTT, and OTT themselves have started to produce a lot of increase in the budgeted films. So how is it impacting our footfalls say, as of now and what's the overall view on the OTT window as well?
- Alok Tandon:** Sir, we always said that OTT and cinemas will co-exist and yes, there are movies which are made only for the OTT, and there are some movies which are made for the cinema, and then they come on OTT platform. So it's not that all movies are going to OTT. I've always said that for a giant screen experience, for uncompressed sound, for absolutely clear image, larger-than-life movies are there to be entertained only in a cinema hall.
- Yes, there are a few movies that have taken the OTT route only, but that's the will of the producer, the person who's already made it. But let me tell you, with the footfall we have seen in the last couple of weeks, be it Hindi movies, be it movies in other Indian languages or Hollywood movies. I think that movies are here to stay, and it's only a matter of time before great content again kicks in and people again have -- they come back to the cinema halls.
- Khush Gosrani:** Sure, sir. And so this does not -- so this then increases our what you could say the dependency on the big budgeted or the higher budgeted films, right, across the languages?
- Alok Tandon:** Zara Hatke Zara Bachke was not a big budget films. There are other Hindi movies which are not big budget films, Satyaprem Ki Katha is not a very big budget film. So, I don't think that comparison is absolutely right. If movies which are based on the big screen are released on the big screen and if the content is good naturally there will be a great footfall.
- Khush Gosrani:** Sure. And on the advertisement revenue income side, what would be the Y-o-Y comparable growth for us in this quarter?
- Gautam Dutta:** Last quarter Q1, we are at INR93 crores, and we are INR89 crores this time. And again, in Q4, we were again INR93 crores. So, basically, it compares to INR93 crores to INR89 crores this quarter.
- Khush Gosrani:** And last question and you don't see there to be a structural impact to the advertisement income, right?
- Gautam Dutta:** No. It will bounce back very sharply, and we strongly believe in because once cinema starts to sort of deliver footfalls, which it has, the story is now going out very strongly. We've been out of the game for close to about a couple of quarters during COVID, and this has taken some time for the market to stabilize. We are working very strongly with all the media planners and buyers, and we are hoping for a sharp recovery starting Q2.
- Khush Gosrani:** Got it sir. Thank you for patiently answering the questions. Thank you.

- Moderator:** Thank you. The next question is from the line of Arun Prasath from Avendus Spark. Please go ahead.
- Arun Prasath:** Thanks for the follow-up opportunity. I was about to ask, what is the percentage of screens do you think is currently kind of underperforming and pulling down your overall numbers, which will probably which are kind of candidates for future closures?
- Nitin Sood:** We've already given that guidance that we believe, I think, the bottom, 2%, 3% of our screens is what we intend to shut down, which we don't think are revivable. That number will be between 50 screens to 60 screens is broadly what we intend to shut down.
- Arun Prasath:** Okay. Thank you, sir. My concall disconnected, no issues. Second, just on bookkeeping the audience who are coming to watch trailers, you said these are part of the footfalls that we are showing in our report and part of ATP & SPH calculations sir?
- Gautam Dutta:** Yes, they are part of the reported numbers. yes, they are.
- Arun Prasath:** So that means actual ATP excluding these trailers is higher than much?
- Gautam Dutta:** Yes absolutely.
- Nitin Sood:** There will be marginal differences. Saurabh you can give the actual number of admissions this quarter on trailer screening?
- Gautam Dutta:** It's about I think about 4 odd lakhs.
- Nitin Sood:** It's about 2.8 lakhs.
- Gautam Dutta:** 3 lakhs sorry 3 lakhs.
- Arun Prasath:** 3 lakhs for the quarter?
- Gautam Dutta:** 3 lakhs for the quarter.
- Arun Prasath:** So, my understanding is they may not be contributing to ATP, but obviously, they will be contributing to SPH, right?
- Gautam Dutta:** Yes, a little bit not as significantly as a movie consumer does because they are into the cinema only for about half an hour, but yes, they do end up buying some F&B, but not as significantly as a movie consumer if you were to get this 3 lakhs out both ATP and SPH would marginally go up.
- Arun Prasath:** Understood. Thank you very much.
- Moderator:** Thank you very much. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Nitin Sood:** Thank you, everyone, for taking out time to attend the PVR INOX Q1 Earnings Call. And if you have any follow-up questions, feel free to reach out to us individually, and we'll be happy to answer your questions on a one-on-one basis. Thank you once again.

**Moderator:** Thank you. On behalf of Axis Capital Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.