

May 19, 2020



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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 following investor con-call:

- **Edelweiss Securities ‘Conference Call with PVR Ltd.’**, organized by Edelweiss Securities, on May 18, 2020.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

Pankaj Dhawan
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PVR



“Edelweiss Securities Limited Conference Call with PVR Limited to Discuss the Issues Around Movies Releasing on OTT Directly”

May 18, 2020



SPEAKER: **MR. KAMAL GIANCHANDANI – CEO, PVR PICTURES & CHIEF BUSINESS PLANNING & STRATEGY, PVR LIMITED**
MR. NITIN SOOD – CHIEF FINANCIAL OFFICER, PVR LIMITED
MR. RAHUL GAUTAM – SENIOR VP & HEAD (CORPORATE FINANCE), PVR LIMITED

MODERATOR: **MR. ALOK SHAH – EDELWEISS SECURITIES LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Conference Call organized by Edelweiss Securities with PVR Limited to Discuss the Issues Around Movies Releasing on OTT Directly. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Shah from Edelweiss Securities. Thank you and over to you, sir.

Alok Shah: Good afternoon, everyone. On behalf of Edelweiss Securities, I would like to welcome you all on this call with the management of PVR Limited to discuss the issues around movies relating directly on OTT platform.

From the management, we have with us today Mr. Kamal Gianchandani -- CEO, PVR Pictures, Chief Business Planning and Strategy, PVR Limited; Mr. Nitin Sood – CFO, PVR Limited; Mr. Rahul Gautam -- Senior Vice President and Head, Corporate Finance, PVR Limited.

Before we get started I would like to remind you that the question-and-answer session is only for institutional investors and analysts and therefore if there is anybody else who is not an institutional investor or an analyst but would like to ask questions, please directly reach out to PVR Investor Relations Team.

Also, please note that since company is observing a silent period pending Q4 FY 20 and full year FY 20 numbers, we would request if the questions are restricted on the stated topic only.

With that, I would like to hand over the call to the management for their opening comments. Thank you and over to you, sir.

Kamal Gianchandani: Good afternoon. This is Kamal Gianchandani from PVR. Firstly, I would like to thank all the participants for taking time out for this call today. For long, as PVR, we have always believed that theatrical release is the best way for audiences to express the effort and the creative genius of our film makers and this has been the case for decades not just in India, but this is a global phenomenon. Theatrical distribution platform has always been the first and the most exclusive and the most important distribution platform for the film makers.

The ongoing crisis has caused an unfortunate shut down for cinemas. And as we know at this point we do not have complete clarity as to when the lockdowns will be lifted in India. But we are confident that once we get to the other side of the crisis, there would be enough and more pent up demand from the cine goers who have been locked up at homes for the last many weeks and as and when situation settles down a bit, we are likely to see a lot of demand, in fact, demand by force on sustained basis. It goes without saying but I would still say that we are definitely disappointed with some of our producers deciding to go straight to the streaming platforms. As Multiplex Association of India, we had requested all the producers to delay their releases and we were hoping that all producers will accede to our requests and would delay there releases till the cinemas reopened.

But that said, this is not the first time films have gone straight to an alternate distribution platform streaming in this case. Cinemas for long have regularly faced competition from new emerging technologies and distribution platforms, but in spite of that, cinemas have continued to enjoy cine-goers patronage and affinity.

In this context I would also like to use this opportunity to share a note of appreciation for all the producers who have come out and there is an overwhelming majority of those who have come out and publicly voiced their support for theatrical distribution platform and have also publicly announced that they have decided to reschedule and delay the releases to accommodate the reopening of cinemas.

On that note, we are happy to take any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dhaval Mehta from ASK Investment Managers. Please go ahead.

Dhaval Mehta: Sir, my question is obviously in the current scenario most of the producers' cash flows are also quite constrained, so they want to encash the product at the earliest. So it is pertaining to two things like how much premium the OTT platforms are paying right now to the producers compared to let us say pre-COVID era? And what will be the ROI of an OTT platform, if you can just help us with that.

Kamal Gianchandani: Well, I mean, all of this information that we do not have in an accurate fashion, but I would like to share whatever information we have from the market sources. Firstly, I think all producers in this case whoever is deciding to go straight to streaming platform, would expect theatrical revenues to be compensated to some extent or to large extent. The question or the problem that most producers and OTT platforms would face is as to "How do you estimate the theatrical box office." As you all know, the DNA of the business tends to be volatile and hence it is extremely difficult to estimate films box office. Our sense is that these streaming platforms would be paying a premium of about 15% to 20% for the cost of production simply because it is extremely difficult to calculate the expected box office and hence the easier calculation or negotiation would be to attach a premium to the cost of production which we think would be about 15% to 20%. The second question as to "How do streaming platforms find this sort of a model sustainable" I think this is a very good question because the fact remains that most of these streaming platforms in India operate on a subscription model. And as you know the subscription fee in India is perhaps the lowest in the world. And hence to expect that is streaming platform would be able to get revenue per eyeball or new acquisitions which will justify these sort acquisition cost is very difficult to imagine. Being in business for a long time, we think most of these acquisitions are tactical in nature and are being done by streaming platforms to just penetrate into the market.

Dhaval Mehta: Just an extension on the first thing which you told that the premium the streaming platforms are paying right now is around 15%, 20%, was this the same range in the pre-COVID era or it has increased substantially in the current scenario?.

Kamal Gianchandani: I mean, the pre-COVID era was a different situation because there was a theatrical run, so there was no question of discussing commercial which was linked to cost of production. In pre-COVID, most of the deals were structured in a manner where the license fee was either a fixed amount which was negotiated between a streaming platform and the producer. But in most cases as most of the ancillary revenues are, it was a byproduct of box office revenue. So, the higher the box office revenue, the higher was the license fee platform paid to the producer and in case if the box office was not attractive and the theatrical distribution had struggled to do well at the box office, then the license fee paid by the streaming platforms was also lower. So it was a very different structure before because at this point there is no theatrical, it is a very different structure which is being discussed in terms of commercials.

Dhaval Mehta: But what we had learned was that the license agreement normally used to happen before the theatrical release. So as a producer or an OTT platform even in a pre-COVID era, we never used to know what would have been the revenue through a theatrical release.

Kamal Gianchandani: Typically, producers would settle for a minimum guarantee amount but even in pre-COVID era, they would link it to the box office they are publicly known and fairly transparent these days. You know a producer would say that I would take let us say Rs.100 as a minimum guarantee and if the box office crossed a certain benchmark, then I would pay a certain percentage of the theatrical box office. So the producer did get upside of a theatrical box office being higher than expected even in pre-COVID era. And as you would know this whole issue of windows that has been discussed at length, window is basically the gap between theatrical release and release on any other platform. In our opinion, window is not a philosophical discussion, just a system or a practice which has existed for a long time, it is actually a business in itself. And the reason I say that is in streaming of a television or for any other platform because of the model that they have adopted to charge their customers which is a monthly subscription fee is absolutely impossible to determine whether a film has been a success or a moderate success or a failure. Theatrical system for the longest period of time has been the only barometer for all producers and all the stakeholders to determine what is the actual success of a film and hence most producers have moved in a direction where they have released a film theatrically and if they have done deals with theatrical release, they have tried to link it to the box office.

Moderator: Thank you. The next question is from the line of Siddharth Bhandari from Baring India. Please go ahead.

Siddharth Bhandari: My question is on the rental part. Has PVR been able to renegotiate any of the rental agreements with the developers, etc., by now or is it in the talks going on? And the second question is do PVR also own any property or the majority part is on the lease basis?

Nitin Sood: Siddharth, as we said we are in a silent period, would like to address this question along with our Q4 results. We had already informed earlier that we are in active discussions with various landlords for this. Beyond this I will not be able to share anything specific. Secondly, PVR does not own any property as such. We only operate on a long-term lease basis. So no real estate ownership by the company.

Moderator: Thank you. The next question is from the line of Bhavin Shah from Sameeksha Capital Private Limited. Please go ahead.

Analyst: Basically my question is that streaming platforms will be challenged in the future also. Because there are many movies that are considering or many series also for that matter and the fact is that they consider to release on streaming platforms like Netflix or Amazon rather than being released on theatres, so do you not feel streaming platforms are going to be a threat to you in the future also?

Kamal Gianchandani: Ma'am, from a threat perspective you have to appreciate that streaming has been around in India for last three years and if you look at the developed markets, it has been around for almost nine or 10-years and of course broadcasters, TV stations have been around for a longer duration. So, in terms of competition, cinema exhibition has faced competition from multiple technologies every five years or every decade there is a new technology; there was VCR, DVD, before that television and now there is internet, but cinemas have continued to hold the sway of cine goers. In fact every time there has been a new technology cinemas have emerged even stronger than before. And there is a reason for that because every time there is a new ancillary revenue stream that gets added to a producer's portfolio, it results in bigger and better films, it creates a positive cycle. But coming back to your question in terms of threat, like I said, I mean, at this point it is tough to sort of compare the two situations because cinemas are unavailable, so any film going straight to a streaming platform or a TV station will have to be seen with an asterisk simply because cinemas are not available. But in long run if you look at it from producers perspective, you have to consider a couple of points -- First is that there are a lot of big films with a lot of big sets and production values which just do not lend themselves to a small screen, they are meant for theatrical release, that is how those films are conceived and that is how those films need to be released. Even if you look at mid-sized films like Uri, Kabir Singh, Raazi, there is a long list of films which have done so well at the box office in the last two or three years. These films would have not got the recognition, the earnings that they made at the box office if they had gone straight to a streaming platform. Like I mentioned earlier, box office continues to be the most important metric for the producer because it sort of fuels or downstream revenues and which is why actors, directors, producers in most cases are extremely uncomfortable in going straight to a streaming platform because a lot of actors, directors see it as a dilution of their profile. So, a short answer to your question is no, we have been competing with alternate platforms for many years. Once we are permitted to open, once things settle down a bit, we believe people will come back in big numbers. There is no change in business model, there is no change in consumption pattern the way we see it. Obviously, we have to be humble enough to admit that we do not know how things are going to pan out in future, but this is the way we see things moving forward.

Moderator: Thank you. The next question is from the line of Swagato Ghosh from Franklin Templeton. Please go ahead.

Swagato Ghosh: Did we get a chance to talk to these producers before the deals were signed on the dotted lines because I think it was out on the news that which are the probable movies which can do the deals?

Kamal Gianchandani: We regularly talk to all the producers... because there has been a lot of media speculation... we have spoken to a lot of producers I would not delve into the details of what we discuss but we have had productive discussions with the production fraternity. You have to appreciate that PVR has been in business for the last 23-years, we released close to 1,000 films in 12 different languages. We have got very strong relationships with our producers and distributors. In this case, without getting into details, I would allude to the fact that a lot of producers especially the ones who were not backed by a studio, who have funded the film with their own finances or who are leveraged, some of the producers are finding the situation difficult to sustain and it is quite likely that the decision to go straight to streaming is also an impression of that fact.

Swagato Ghosh: I am trying to understand that story being meted out publicly, but do we know for sure that whether there were those compulsions or where these only opportunistic moves by those producers?

Kamal Gianchandani: Like I said it is difficult to say with certainty what it is and obviously different producers will have their different reasons, but we believe in most cases is the independent producers who are finding it difficult to deal with this uncertainty, they are the ones who are taking these steps.

Swagato Ghosh: The second question is slightly medium to longer term as exhibitors and like you are the largest of them can we do some kind of backward integration on content side of it, we are already in the distribution side of it, but can we do further backward integration to protect our revenues in situations like it seems we are at the mercy of the content creators although both need the others for survival, but can we do something from our end to increase our capabilities of protecting the downside?

Kamal Gianchandani: Firstly, on your comment that we seem to be at the mercy of producers, I would like to correct that impression because an overwhelming majority of our producers have decided to reschedule their releases, they have decided to delay the releases and wait till the cinemas are reopened. In fact especially the ones have come out who have the big films ready. They have also come out and publicly voiced their point of view in support of theatrical distribution. The second part of your question about getting into production, we were in production many-many years back and not our core business which is exhibition, distribution also has a strategic goal, strategic objective of bringing in films which otherwise have difficulties in coming into India. So that distribution piece also in a way helping exhibition the core objective of filling more seats. At this point in time, we are extremely focused to have cinemas reopened and have cine-goers back in cinemas. There is no plan to get into production.

Swagato Ghosh: I was meaning to ask is not like maybe as a full-fledged production house but maybe have some stake, some investment in some of the projects where we also are part of the decision-making process.

Kamal Gianchandani: I made a mental note of your suggestion, but like I said at this point we have no plan to get into production or invest into any production company, we are focused to reopen cinemas and have people back in big numbers.

Moderator: Thank you. The next question is from the line of Swati M from Comgest Singapore. Please go ahead.

Swati M: First question is how are you penalizing these producers who are deviating from the agreement that you have -- are you going to charge more from them when they release a film next, what is the plan there because what stops other producers from doing the same, you need to have some kind of penalty piece?

Kamal Gianchandani: Firstly, the agreement typically we have is when a producer decides to release a film theatrically, that is when we get into an agreement with the clause which says that firstly the film would be released only in cinemas, and for eight weeks producer would not make it available to a streaming platform or a TV station. Like I mentioned earlier we have got long standing relationships, we have been in business for more than 23-years. This is not the first time a producer has gone to a streaming platform. Even in pre-COVID phase, there have been instances where producers have chosen to release films directly on either television or a streaming platform. We feel is penalizing somebody for this sort of an action is a bit harsh. That said I appreciate the concern that more producers would want to follow suit and also release their films to the streaming platform. And in that context I would like to reiterate that most of the big films, producers have publicly come out and voiced their point of view and they have formally announced that they have delayed the releases. So, we will have to take it on case-to-case basis. We remain confident that overwhelming majority of films... and we have got lots of films which are ready or near ready, if you like we can share a list of Hindi films, regional films, Hollywood films which are slated for release over the next three to four or five months, we have got a whole lot of content, there is a lot of content which is bunched up, there is no dearth of content to make, we release close to 1,000 films a year. So penalizing somebody is a bit harsh, but we will continue to remain in productive dialogue to ensure that we minimize this occurrence of producers trying to release films directly on streaming.

Swati M: You were saying that there a lot of movies bunched up and mostly they will get released after the COVID lockdown is over. But for multiplex movies are more of a week end business, right. So, if there is a bunched up release, do you think it will be to the benefit of actually the single screens because your capacity is limited especially as you take the week end into consideration?

Nitin Sood: Just to give you a perspective, our average occupancy last year was about 35%-odd give or take. Out of which, week day occupancy is about 26%, 27% and week-end is 50%, 52%. That is how we get average occupancy of 35%. So, yes, while the business is week-end driven, Saturday Sunday occupancy is significantly higher than week day, but we have enough capacity available. So I do not specifically it is going to make too much of a difference. There is enough capacity that we have and with a lot of films getting bunched up and releasing in a shorter interval effectively once the sentiment is back and once things go back to normal, hopefully, we will see

much higher occupancy, people will have a reason to visit cinemas more often with a large number of bigger films releasing every week.

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

Jinesh Joshi: A couple of questions. First, I want to know that on technical grounds, is the direct OTT release breach of the exclusivity window?

Kamal Gianchandani: Not really.

Jinesh Joshi: And secondly if a big good production house decides to take OTT route in the lockdown and after that to just to go for a theatrical release once normalcy resume, will we be boycotting them outright or will we try to find some middle grounds?

Kamal Gianchandani: I do not want to use the word boycott. All I would say is that we would be playing a film which is released in theatres only and maintains a window of eight weeks before it releases on streaming platform or a TV station, we would not be playing a film which is already released on a streaming platform.

Jinesh Joshi: Lastly, there have been quite a few news reports that AMC, one of the multiplex operators in the US might be taken over by Amazon. Now if this move actually materializes, how do you think the exhibition market will actually evolve?

Kamal Gianchandani: We do not know for sure if that is happening. There is a lot of media speculation but what we heard from AMC is that it is speculation in media, it is a hypothetical situation. That said I would also say that Amazon in the US has been extremely respectful of windows. Amazon also has a film studio, so they produce films which release in theatres, which follow that window. So to that extent I be any negative. Like I said it is a very hypothetical very speculative sort of a question and only one has more clarity one would be able to comment and react to this.

Moderator: Thank you. The next question is from the line of Paul R from Schroder. Please go ahead.

Paul R: Yes, hi, I am going to be a little naughty, it is not a question on OTT but just getting back to normal, do you have any expected time lines and what might be drafted with regards to seating arrangements, the kind of capacity that you will be operating on and this is a state-by-state issue in India is this, correct?

Kamal Gianchandani: This is a very good question and although in the country cinema specifically are still in a lockdown mode. We have not heard from the government in terms of when the cinemas would be permitted, but you are right to the extent it will be a state-by-state issue. Our expectation is that by the end of June or first week of July states which have a more comfortable situation in terms of dealing with the virus, would start permitting cinemas along with the malls to open and hopefully in a staggered fashion but not too staggered, nationally by end of July or first week of August, we should be pretty much functional in all states. That is our expectation at this point,

but the only caveat is that the government is yet to confirm and give a final directive on this. In terms of measures that we are taking to reopen and have people come back to cinemas and feel comfortable about the experience, I mean there is a long list of protocol, safety measures that we are taking and we will be happy to share a detailed document on that. But essentially there are two things that we are focusing on – One, which we can control and one, which our film makers would help us with. Once we become operational, the first lot of people who come to the cinemas is what we are targeting to make them feel really comfortable, feel extremely protected in terms of their health and safety and do it in a manner which does not interfere with the movie going experience and enjoyment. If we are able to do that effectively, if we are able to give an impression that cinemas have got their act together, it will an extreme amount of positive word of mouth, these people will go out speak to their friends and families and it will create a lot of demand in the subsequent weeks and months. So we could open with moderate numbers but we believe once there is a positive word of mouth from the first lot of people who come to the cinemas, pretty much within a matter of weeks, we would be close to admission level at which we were operating earlier. The second part is that obviously movies releases, brand new local films, Hollywood films, films like Suryavanshi, 83, Master, which is a Tamil film, Tenet, Mulan, Wonder Woman, all of these films, the kind of word of mouth these films generate would also make a difference to the number of people who end up come into cinemas and the pace at which we are able to restore the normalcy. In terms of social distancing, the recommendation that we made to the government is that there should be one seat left vacant after every customer group, whether it is a family or a group of friends who come together, one empty seat will be left after each customer group. That is the suggestion that we have given to the government. We are awaiting a final confirmation on this.

Moderator: Thank you. The next question is from the line of Bharti Sawant from Mirae Asset. Please go ahead.

Bharti Sawant: A follow up to the earlier question on the capacity, so you did mention as to the various precautions that you are trying to take. But is it fair to assume that overall we should look at more like 25 to 30% cut in the capacity at least for the current financial year once the lockdown open?

Kamal Gianchandani: Like I said it is a recommendation we made to the government that we would be leaving a one seat after every customer group. This could result in 20% reduction, maybe 25% reduction, we do not see it going more than 25% if this recommendation is accepted. I will go back to the point my colleague Nitin made earlier. Even with social distancing norms, we believe that we have the ability to space out films within auditoriums because you have to appreciate we have got no backlog, we do not have 15 or 20 films staying from the earlier weeks which we have to accommodate. So we will be pretty much starting from us a fresh slate and all the films that release in the first few weeks will have the entire auditorium, the entire seating capacity even after the social distancing reduction available to them. We would have the ability to space out films in the auditoriums, at the same time we will have the ability to space out demand over time and what I mean by that is that films will have a longer play although I did mention that films will be bunched up and a lot of films would release over the next three to five months, but we

also believe that we have enough capacity in a number of screens to sit across the table with producers and schedule the releases in a manner that they do not eat up into each other's business. So we can spread demand over auditorium and we can spread it over time. We also believe that a lot of people will self-select and space themselves out. What it means is a lot of people because of the infection and it is a known fact that on weekdays we do not have very high occupancies, a lot of people who would otherwise come on a weekend would shift their behavior and start coming on weekdays. So there would also be a lot of self-selection in terms of spacing out, but in any case we will have enough and more capacity to deal with all the films and all the demand that we have.

Bharti Sawant:

One more question on this part is what will be the kind of occupancy levels at which we break even in terms of all our fixed costs, FY'21 will see an impact, but assuming the COVID continues because this pandemic is something that will take time until the vaccine is developed. So assuming two years are gone, at what occupancy levels are we able to cover our cost and will there be a price increase in terms of the ticket pricing or that will continue to be governed by the content that we receive?

Nitin Sood:

So the way we think it will evolve is that, your first question on breakeven, our breakeven occupancy levels to cover for our fixed cost will be around 20%. We also think the cost structures will evolve from a pre-COVID era to a post-COVID area. So there will be a lot of reduction in the fixed costs for the business till the time occupancy levels do not ramp up to what they were in a pre-COVID era. So till that point of time, a lot of fixed cost in the business will also be lower. We expect breakeven to be around 20% occupancy, but again this is also an evolving number similarly because we are also in discussions with the various landlords to also look for a lower rental even after we open until the time business comes back to full scale. So that should be around 20%. On your second question around ticket pricing, I think we will have to wait and watch how it evolves. But given the fact that we will have a large number of big budget films releasing during the next six to nine months and it is the bigger films which drive pricing, for us, there is a sheer possibility that just because of that we will be able to achieve a higher ticket price once things settle down and we see consumers back in the cinemas just because of a large number of big releases, average ticket pricing may end up looking higher than what we have been operating at, but we have not really finally decided around how this will play out. I think we will wait and watch, and we will move along with how the situation evolves.

Bharti Sawant:

Just to follow up again, when you said that breakeven occupancy is 20%, you would be assuming your F&B revenues and advertisement revenues at the current levels or are we assuming reduction on the spends per head because there would be an impact even on those counts?

Nitin Sood:

I would not like to go into the details, but specifically what we think the revenue estimates would look like we should be able to achieve breakeven at 20% occupancy levels.

Moderator:

Thank you. The next question is from the line of Madan from Sundaram Mutual Fund. Please go ahead.

Madan: You mentioned about the possibility post theatres opening up for a longer duration for films. So in that case will there be a rethink on this loss of eight weeks release on the OTT platform, is there a thought process there or it might still continue?

Kamal Gianchandani: The eight-week window that we have in India is pretty much the most aggressive window anywhere in the world, US is at 90-days which is three months, we are two months, so US is almost 50% more than us and then most other markets are 90 or thereabout. So there is definitely merit in discussing it, but because lateral discussion, it impacts producers and their ancillary revenues in a big way. It is a matter of discussion, but we would definitely be interested to take this up.

Prashant: This is Prashant from Sundaram. What are the experiences you have been getting in the outside markets, how has the response been, have you actually seen globally also where cinemas have been shut down and let us say a lot of movies moving to OTT platform? Secondly, in terms of occupancy, how have they been moving up wherever films have been opening up, are we starting on a global level, is there anything which you can probably fit it up for the Indian market?

Kamal Gianchandani: In terms of tracking the global market, US is the most important market because they produce maximum number of films. Not very different from India. A few films have gone directly to streaming platforms. Trolls was the most notable, the first one to go out, it is a Universal product. There was a lot of media speculation. So if you search for what is happening in US with respect to films going to streaming, tons of information which is available so not very difficult to track what is happening in the US market. But the good news is the attitude of producers has been exactly the same as we are noticing in India which is if there is a film from a producer or a studio going direct to streaming or direct to premium OTT, they have also simultaneously announced delaying the releases for all the other slate that they have. So Universal while they went out with Trolls to a premium OTT platform, they also announced a lot of other films, Fast and Furious and many other things which were postponed for later in 2020 or first quarter in 2021 calendar year. So that has been the attitude. And for different reasons, producers have gone to streaming platform, in some cases because the publicity was on in case of Trolls they had a lot of merchandising deals, lot of licensing partners, it is an animation film. It was very difficult to reverse those deals or back out of those deals and as a result Universal went ahead with the premium OTT release, but at the same time they also announced delay of their other releases. The second part is the cinemas which have opened in different parts of the world. The US has taken some baby steps. A few states I think four of the last count have opened a few independent chains. The national chains have not yet opened their cinemas because you have to appreciate film is a national product and white releases will only start when cinemas are opened in majority of states. Let us say 75%, 80% of the states. And I think by the end of June is when most of the large cinema chains are planning to open in US because everyone is extremely keen to catch Tenet which is a big release coming out on July 17th from Christopher Nolan who is one of the biggest supporter of theatrical platform and he wants his film to release big and tall and he wants his film to be the first one to release across theaters when they reopen. A few independent cinemas which have opened are showing encouraging results. South Korea has seen some openings, very encouraging results. Obviously you cannot compare them to the normal results

in a normal phase simply because a brand new films, Hollywood or local films is just not there, but given that most of the people are releasing older films which could not finish their run or library films which have already finished their run are being re-released. So given the nature of content, the numbers that you are seeing are very-very encouraging.

Prashant:

In that context. when they are talking about India as a market let us say graded opening up, would we actually go for a graded opening or would we actually watch the entire thing to final, then open up because like you said you will not be able to go for any national release, at best probably we will finish up your old library or for that matter, let us say old films, let us say as multiplex would be thinking of opening up at complete national level or would it be like a graded approach maybe green first, then orange, then red, how would that be at your level?

Kamal Gianchandani:

I think it is a very good question and it is something which we have been debating internally for the last few weeks. Fortunately, in India, the situation is a little different in terms of content because we release films in almost 12-languages, there are a lot of regional films. So, if we get permission to open in Kerala, we would go ahead and open it, if we get permission in Karnataka which has a strong Kannad film industry, we will go ahead and open it, even if we get permission in Delhi, Bombay, these are the worst impacted cities from the virus, but from the argument point of view if these cities were to open first, we will still go ahead and open it because you have to appreciate after you open, you also need time to prepare and get your staff back and you should be totally ready because this is the first time you will be dealing with a situation in which we will be practicing physical distancing, a lot of precautionary measures have been introduced which are new to our systems, teams will have to be trained. So, we will use that opportunity to just go ahead and open up cinemas. And if white releases are there, because we open in a regional market, fantastic, But even if they are not there we will just go ahead and open up cinemas.

Moderator:

Thank you. The next question is from the line of Aditya Jagannath from Aditya Birla. Please go ahead.

Aditya Jagannath:

My questions are basically around how you are engaging with customers at this point in time, what are the various touch points and are there any strategic pivots in your customer engagement during the COVID scenario?

Kamal Gianchandani:

We have a very strong loyal customer base. We have a loyalty program called "PVR Privilege". We have close to 1,10,00,000 members as we speak. In addition to that we have very active social platforms. We are extremely active on Facebook, Twitter, TikTok, YouTube and many other social platforms. We are using digital mediums to communicate with our customers. We are keeping in touch. There are several initiatives, service being run so that we can sense the mood of our customers, their concerns, their priorities once cinema reopen. So, a lot of activity around engaging and making it fun... while we do not have a lot of films releasing a lot of fun engagement, a lot of trivias, a lot of fun activities are being initiated on our digital platforms. In addition to that, as we are preparing more material, as we are creating new processes, as we are coming out with new precautionary safety measures, we are also trying to communicate those to our loyalty members and other customers who engage with us on the digital platforms. So,

whole lot of things which are happening at this point in time and happy to report that the engagement has been extremely-extremely productive.

Moderator: Thank you. The next question is from the line of Rishabh C from Enam Holdings. Please go ahead.

Rishabh C: So I just got a quick question and this is relative to how the supply chain could be for the next two, three years? As you can see in the current situation producers who might be facing some cash flow issues would be looking to some of the OTT guys in order to ease off that pressure on themselves and at the same time we are hearing from the industry as such that movie stars would not be acting till the vaccination is found. So does that create some kind of supply chain for us for the next two, three years and how do we mitigate that?

Kamal Gianchandani: To be honest, because this is future we are talking about and there is absolutely no rule book to deal with this situation, this is the first time anyone is facing this sort of situation. So I would be humble enough to say that we do not have all the answers at this point in time. That said, on the long-term supply of films, we do not expect any major disruption simply because we play films in 12 different languages, Hollywood included. So in terms of content that we get from our suppliers is fairly diversified, there is no dependency on just one language. In terms of sense that we are getting from producers we have also spoken to a few actors. You could divide the actors, directors in two parts. Firstly, our response from the top end actors has been that the films which are in shooting they want to finish them quickly before they start a new film they want to be 100% sure that enough precautionary measures are in place at the shootings and the producers have got their act together. And you have to appreciate in most cases actors these days themselves are co-producers. So a lot of effort in creating these precautionary measures are being taken by them. So our response has been extremely positive that to the extent that while we do not know what these precautionary measures and how soon they will be able to start the new films, but they are absolutely committed to finish films which are in production at this point. Now as far as actors, directors which would be in the mid-segment or the low end, they are absolutely seeing this as an opportunity. They want to make more number of films. They want to go out and start shooting as soon as possible... of course they would also be extremely mindful about the precautionary measures that a producer would be taking. But they are spotting this as an opportunity. So the short answer to your question is we do not see any major disruption. There is a lot of media speculation and it is hard to predict how people would react once they are permitted to start shooting, but we do not see any major disruption on the content supply side.

Moderator: Thank you. The next question is from the line of Abneesh Roy. Please go ahead.

Abneesh Roy: Two set of questions. The first is one month back no one was expecting this OTT issue and now already 7, 10 movies are slated to release first on OTT. Now, even if the multiplexes start in July, the issue is vaccination, no one knows when it will come...it can be six months, it can be 12-months, so people may not go. So even if the multiplex starts, enough people may not go. So is it possible that still many producers think it is financially more viable to release on OTT at

least the smaller ones, not the bigger ones, so is this also a risk that vaccination is equally important, just the multiplex opening up is not the only thing?

Kamal Gianchandani:

It is. And like I said I mean because there is no rule book, so there are no easy answers to these questions, but I think there are two attitudes which are prevailing at this point -- One attitude is people would be careful and they would be hesitant to come back to cinemas quickly because of the infection and the virus apprehension. The other attitude is that we will experience demand by force simply because cinemas will have in fact a bigger and a more critical role to play in keeping people entertained because the times are so uncertain. People would be looking for more escapism and people would want more entertainment. There is so much uncertainty about future, there is so much other trouble which is happening.

And I would like to go back to many-many other events that we have seen way back in history, so cinemas have seen influenza epidemic. There were world wars, technology, terrorist attacks one after another. But on each instance cinemas have in fact emerged stronger than before. Because the appetite to watch films at cinemas is just insatiable, especially when the times are troubled and there is uncertainty about future.

So we subscribe to the second attitude. We believe there will be demand by force. We totally recognize there is a lot of speculation that people would be hesitant to come back, and we appreciate. We acknowledge that maybe the first four weeks or six weeks there would be a lot of hesitation but like I said before, once the first lot who come to cinemas feel that their experiences not being compromised. Cinemas have got their act together. They are protecting the health of patrons in a way, which is they are following all the safety precautions and protocols That would lead a lot of positive to word of mouth, which means more and more people would come their friends and families, once they get this impression, they will start coming in big numbers. And look, I mean, the public transport would be operational, people would be traveling by metro, people would be going to malls. Ultimately, life has to come back to normal.

Abneesh Roy:

Right. Second question is we sort of fight between the movie producers and the exhibitors many years back and then the formula got frozen and it worked very well. Recently, one of the other exhibitors not PVR gave a warning letter. So my question is, do you see this animosity between the smaller producers and multiplex, could this become a larger issue or now it is that warning does not work and it is more a negotiation and talking on the table and on the way forward?

Kamal Gianchandani:

The commercial dispute as you alluding to took place in 2009. And these are different circumstances. Some producers have indeed gone to streaming platform, but theaters are unavailable, and I guess, they could not deal with the uncertainty. We would not like to comment on the letter that another exhibition chain has sent out to producers. But we have been in regular touch with our producers, a lot of actors, a lot of distributors, and we are having a lot of product discussions. We do not expect any escalation in this phase. We do not expect any escalation, we do not expect any disruption in our relationship because of some of the producers going to the streaming platforms.

Abneesh Roy: One follow-up, any other country is facing similar issue of the movie release on OTT only? I think US also some similar issue is happening. So any takeaways, any learnings from that?

Kamal Gianchandani: U. S. similar situation. Like I answered, earlier to one of your other questions, a few films have gone to either premium VOD model or SVOD platforms. But at the same time and US is a far more consolidated market, which is by in large controlled by five studios. Most films are controlled by the five studios. So, each time in a studio has gone and there have been only two studios who have gone ahead with the announcing their films for premium VOD Platform which is one is Universal second is Disney. And in both cases, studios have come out with the reasoning for doing what they are doing. They have given the justification and in the same breath, they have also rescheduled and delayed their other releases. They have publicly announced that they are delayed their releases, they have publicly announced that they would be releasing only in theaters, as in when they are allowed to open. So yes, similar situation is also prevailing in US. But at the same time, no escalation there either. I mean, there have been some exchange of letters, which are again out in public domain. But we have also been in touch with the US exhibitors, there is no expectation that it will turn into any sort of a conflict.

Abneesh Roy: My next question is on single screens. So single screen has been losing market share to multiplexes in India. In the current COVID cases, any insights you can share? Is that is the market share gain too you and the multiplex industry in general, is that going to accelerate once business starts? And in the smaller cities, can the single screen start early? And so can some movies release on OTT/single screen? Is that possible? Because in the smaller cities COVID cases are far, far lesser.

Kamal Gianchandani: So your first question on single screens, the smaller chains getting impacted more or not being able to withstand the act of COVID crisis, while we do not wish this crisis or this sort of a situation on anyone, we sincerely and we truly believe and hope that all exhibitors who would eventually get to the other side of this crises. But the fact remains that single screen because of the inherent deficiencies in the model has been losing market share.

We will not be surprised, if a lot of single screens decide to take a shut down. I mean, they are shut now, but they may take a permanent shut down even after they are allowed to open. And it will also do that some of the smaller chains may find it extremely difficult to sustain this phase because either they are leveraged or the losses that they have sustained during this phase would be unmanageable for them. So, that these sort of events taking place over the next four months to six months are definitely possible. Would it benefit us? Obviously, all the national chains will benefit from if this event was to take place and I think, the possibility of this happening is quite likely.

Abneesh Roy: Yes. Essentially, the single screens in the green zone, smaller cities, so can move launch happen there because they are open and multiplex in big cities takes more time. So can that happen that OTT/single screen can happen or OTT plus single screen can happen?

Kamal Gianchandani: I mean, you cannot rule it out, while all exhibitors have pretty much similar sentiment with respect to this matter. But you cannot rule out the fact that a film is going into streaming platform and it is also simultaneously releasing in some single screens.

But the fact remains that contribution of single screen in this country is less than 15% at this point. 85% of the business is being generated by multiplexes and out of this 85% and I am talking about Hindi films, which are national releases, it could be a different percentage for regional films. But for Hindi films, the four nationalized, multiplex chains are contributing almost 60% of the overall business. So even if that possibility was to become likely and someone was to actually practice releasing it on streaming along with single screens, it would be a futile effort because there is just no business in single screens. Especially when you look at the urban centers, single screens have ceased to exist. I mean, it is hard to find a single screen in Delhi or Bombay or Bangalore (Bengaluru). So that sort of a combination is just not practical at all.

Abneesh Roy: One follow-up on OTT was the streaming platforms charge is lump sum. So three months, six months, 12 months like that, which is not really financially viable for the big movie. Do you see the streaming charging say pay per view? So, if you want to enjoy a new movie you have to pay extra, is this a model in any part of the world and can this happen in India, any sense of that?

Kamal Gianchandani: Pay-per-View model is extremely popular in West. This is the model, which is also known as premium VOD model. Typically, the windows the way they function in US is that you release it in theaters first. For 90 days films stay exclusively in theaters. You take it to premium VOD, make it available on DVDs for selling and for renting. SVOD comes almost after seven months or eight months. SVOD is subscription VOD like the way we have Netflix and Amazon in India that comes only after six months or seven months or eight months after the theatrical release. In India, the window gap between theatrical release and subscription VOD is extremely aggressive. It is only eight weeks, which means, there is absolutely no window or space available for Premium VOD. Although technically you can do it six weeks after the theatrical release and players like DTH, Tata Sky, Videocon, Dish TV these had their own Pay-per-View model for the last six years, seven years. Google plays a very important Premium VOD Pay-per-View model player in India. But the reason they are not successful because the window between theatrical, Pay-per-View and SVOD is very, very aggressive in India.

Abneesh Roy: Sir, actually, my question is a bit different. So for example, Amazon is showing these seven movies. Now they charge obviously this lump-sum of three months, six months or 12 months, which is not really attractive because the customer is not paying anything extra. On Amazon or on any streaming platform, can that platform charge extra for these movies? Is that something which is there in any part of the world?

Kamal Gianchandani: So, theoretically, they can but the same problem. So if Amazon was to release one of the Hindi films on Pay-per-View model basis, then the next question is, when will it be made available on subscription VOD model? And if it is going to be available two weeks after it became available on Pay-per-View model, then why would customers pay just for screening that film they would rather pay, as you know, Amazon annual subscription is, for all practical purposes, a negligible

amount, I mean for Rs. 100 a month or maybe even less than that. You can pay them subscription and take a subscription for a month. So why would anyone pay on Pay-per-View basis and not take a subscription or not wait for that film to come on the subscription model. That is the point I was trying to make.

Abneesh Roy: Right. My last question. So the seven movies - ten movies which are coming on the streaming platform, what happens to their broadcast and music revenues? Does it become zero or does it become very insignificant versus a normal launch which used to happen pre-COVID.

Kamal Gianchandani: Out of these seven films, which have been announced on Amazon, five are regional films and four out of those five regional films are extremely small. So they are unlikely to go to a TV station, a broadcaster is unlikely to take them, pay money, license the rights and play it on the station. So those films four out of seven would be available only on streaming is what our guess is. The other three films would likely in all likelihood be a TV release, a broadcasting release, which would probably be four weeks or five weeks after the streaming release. Music for all practical purposes will be zero, because without theatrical release, it is impossible for music rights holders to market the films and market the music and make money on it. So music rights will be zero for all practical purposes.

Moderator: Thank you, ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Alok Shah for closing comments.

Alok Shah: Thank you to the management of PVR for giving us an opportunity to post the call. And thank you to all the participants for joining the call. Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.