

22nd October, 2022

National Stock Exchange of India Limited

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

BSE Limited

Corporate Relationship Department
1st Floor, New Trading Ring,
PJ Towers, Dalal Street,
Fort, Mumbai - 400 001
Fax: 022-22722061/41/39/37

Company Code: PVR / 532689

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

Dear Sir / Madam,

This is with reference to and in continuation to our letter dated 16th October, 2022 and 18th October, 2022 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. We wish to inform you that the officials of the Company have participated in the “PVR Limited Q2 & FY2023 Earnings Conference Call” on 17th October, 2022 and link of the audio recording was shared vide our above letter dated 18th October, 2022.

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

<https://originserver-static1-uat.pvrcinemas.com/pvrcms/financialsebi/ENA0820221017143663.mp3>

Please also find enclosed the copy of transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

Mukesh Kumar
SVP - Company Secretary
& Compliance Officer



“PVR Limited
Q2 & H1 FY’23 Earnings Conference Call”

October 17, 2022



MANAGEMENT:

**MR. AJAY BIJLI - CHAIRMAN AND MANAGING
DIRECTOR, PVR LIMITED**

**MR. SANJEEV KUMAR - JOINT MANAGING
DIRECTOR, PVR LIMITED**

MR. GAUTAM DUTTA - CEO, PVR LIMITED

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

MR. NITIN SOOD - CFO, PVR LIMITED

MODERATOR:

MR. ANKUR PERIWAL - AXIS CAPITAL LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY'23 Earnings Conference Call of PVR Limited 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you. And over to you, sir.

Ankur Periwal: Yes. Thank you, Rutuja. Good evening, friends, and welcome to PVR Limited's Q2 and H1 FY'23 Post-Result Earnings Call. The call will be initiated with a brief management discussion on the quarterly performance, followed by an interactive Q&A session.

Management team will be represented by Mr. Ajay Bijli, Chairman and Managing Director, PVR Limited; Mr. Sanjeev Kumar, Joint Managing Director, PVR Limited; Mr. Gautam Dutta, CEO, PVR Limited; Mr. Kamal Gianchandani, Chief of Business Planning and Strategy and CEO, PVR Pictures; and Mr. Nitin Sood, CFO, PVR Limited. Over to you, Mr. Bijli for your initial comments.

Ajay Bijli: Yes. Thank you very much. Dear all, I'd like to welcome you to the earnings call to discuss the unaudited results for the quarter and half year ended September 30, 2022. I hope you've had the opportunity to review our presentation results, which have been uploaded on our own website as well as the stock exchange website. Please note that the numbers I'll read out are after adjusting for the impact of IndAS 116 relating to lease accounting and are different from the reported numbers we submitted to the stock exchanges today.

The quarter ended September 30, 2022, witnessed weak performance of movies at the box office, which impacted our revenue, EBITDA and PAT for the quarter. For the quarter ended September 30, 2022, our revenues were INR7,017 million, EBITDA was INR129 million, and PAT loss was INR566 million. For the 6-month period ended September 30, 2022, total revenue was INR17,021 million, EBITDA was INR2,208 million, and PAT was INR117 million. The quarter recorded 18 million theatrical admissions across our cinemas, which were lower by 28% as compared to 25 million admissions in Q1 FY'23, sorry.

And then admissions and box office collections were adversely impacted during the quarter due to the underperformance of some major Bollywood films like Laal Singh Chaddha, Raksha Bandhan, Liger, et cetera. With the exception of Brahmastra: Part One, most of the other Bollywood movies performed below expectations. Brahmastra did exceedingly well at the box office and emerged as the highest grossing Hindi film post-pandemic for us with net box office contribution of 19%.

For Hollywood, the second quarter was the weakest in almost 2 decades with significantly low movie releases and box office collections. Thor: Love and Thunder was the only tentpole that released during the quarter. Contribution of regional movies, however, to the box office collections continued to be robust in the quarter with Sita Ramam, Karthikeya 2, Rocketry and Thiruchitrambalam performing well at the box office.

We witnessed a thrilling response to the nationwide National Cinema Day organized on Friday, 23rd September. This was an industry-wide effort by the multiplex industry to celebrate successful reopening of the cinemas and welcome moviegoers back to the theaters. Over 11 multiplex chains and 4,000-plus screens across India participated in this initiative. We welcomed 6.5 lakh guests across our cinemas on this day. This proved to be the busiest day for us in 2022 and the second highest attended day till date with occupancy of almost 80%.

Quarter 3 has started off on a great note, with strong response received to new releases like Vikram Vedha, PS-1 and Kantara. Given the strong content pipeline, we hope that this momentum will grow and gain traction. We have several big Bollywood movies releasing over the next few months like Ram Setu, Thank God, Uunchai, Drishyam 2, Cirkus, Kisi Ka Bhai Kisi Ki Jaan, Pathaan amongst others.

From Hollywood, we have many highly anticipated tentpoles hitting the big screen like Black Adam, Black Panther: Wakanda Forever, Avatar: The Way of Water. From the regional genre, we have Shaakuntalam, Vaathi, Kushi and Honeymoon, et cetera. The company has opened 24 screens across 5 cinemas in the first half of the year, and we are on track to open a total of 110 to 125 new screens by the end of the financial year. Our screen portfolio currently stands at 864 screens across 175 cinemas in 76 cities in India and Sri Lanka.

A quick update on the progress of the proposed merger of INOX Leisure Limited with the company. Both PVR and INOX in the meetings held on 11th October and 12th October, respectively, have received shareholders' approval on the proposed scheme of merger. I'm told the final leg of the NCLT process will take around another 3 months more to complete. Thank you. And now, I'm opening the platform for any Q&A. Thanks once again.

Moderator: The first question is from the line of Abneesh Roy from Nuvama Investment Company. Please go ahead.

Abneesh Roy: This is Nuvama Securities. So I have 3 questions. My first question is on the screen openings. So in first quarter, 10 screens; and second, 14 screens. Against that, 110 to 125, what is the confidence? Because it's a much higher ramp-up. I do understand these are bunched up and the approvals are a bit difficult to predict. So how confident you'll be of 110 to 125?

Ajay Bijli: We are fairly confident, and that's why we've given this number. I know it sounds a bit audacious and ambitious, but that is how it has got sequenced this year. All these bunch of our projects we have some very big ones. Two with Lulu, which is 1 in Trivandrum, 1 in Lucknow, which has 12 screens each. Then we have about 2 with Prestige, 1 in Chennai. They were actually on the brink of opening in the second quarter itself, but they've all got pushed to the third and fourth quarter now. So we're fairly confident and which is the reason why we've given this number that they will open in the second half of this year now.

Abneesh Roy: Sure. My second question is on the overall footfall and ATP. So Ajay, you have mentioned in the presentation that as a company, you're focused on driving footfalls, and good to see 6.5 lakhs on the Cinema Day. So one question, there was the second highest footfall on that day. Which was the first one? And any learning? And when you mentioned that you're focused on driving footfall, could you elaborate that apart from the marketing mailers or anything specific in terms of the promotions? If you could elaborate a bit on the specifics of that, how do you plan to do that?

Ajay Bijli: Well, I'll say something and then I'll request Kamal and Gautam to jump in as well. Basically, there are a number of factors that come into play to increase footfall. In this particular case, of course, post the pandemic, we work in to have a Cinema Day to get a lot of people who haven't come in and the response was phenomenal. We weren't expecting the response to be so much. But when you dive deeper, we realized that it's not just the pricing that has attracted people, also because a good content was playing. For Brahmastra there was a lot of fence-sitters that had seen the 2-week performance, heard of reviews, but then they suddenly came as well and saw the movie. So the highest occupancies also were attributable to Brahmastra. And some other movies that got released on the same day, since it was a Friday, also did well.

So pricing is not the only thing which is attributed to the kind of footfall we got. Because then, we again did some experiments with pricing, but with movies subsequently like Goodbye of Mr. Bachchan just now and another couple of movies. But we realized that content did not connect. So content is the number 1 thing that has to appeal to the customers, and that is what drives footfall. But that doesn't mean that we are inflexible when it comes to trying various pricing mechanisms. So we will be doing that. And of course, marketing the movie, marketing a theatrical experience to the consumers once again, that is something that we'll continue to do.

And the other thing that I want to say is that whatever is true is also untrue. Because in the south, people are coming in hordes. So we have PS-1 that got released and

Kantara that good released this year and even in this quarter 30th September actually. And even before that, in the second quarter, there were so many movies. And then nothing was done to the pricing. Pricing remained where it is and people still came.

So it's only certain regions, and that's okay. That's the beauty of the Indian market, and that is why we've spread our circuit in such a manner that we are not completely dependent on one type of content. There's so much diversity of language content in India. And if you spread your circuit across all regions, about 35% to 40% of our circuit is in south. The rest is, of course, in west, east and north. Then if one kind of content doesn't do well, it doesn't matter, because you still have other content that can bring the special occupancies to manageable level. So we are not that bothered about a couple of months of Bollywood movies not connecting with the audiences.

Gautam Dutta:

I think your question on which was the largest footfall day, it was 2nd of October 2019. Movies playing were War, Joker and Dream Girl and a South Indian film called Sye Raa. So these 4 films had rallied together to deliver close to about 6.71 lakh admissions that day.

Abneesh Roy:

Sir, my last quick question is on the Hollywood. So there is global fears of recession and extremely high inflation, which is playing out also in terms of the market in general. So would you attribute September 22 being the weakest globally in terms of Hollywood content in terms of collections and number of movies? So any specific factors? Or this is just bad luck, bad timing?

Ajay Bijli:

No. I mean Hollywood in any case represents only 10% of the box office in India, so which is the reason why the market of India is very unique because the volumes of our own content are so high that we're not just dependent on one sort of type of content. But yes, Hollywood is a big contributor. And this year, of course, the number of films are less. But then if you look at the quarter that we're talking about, suddenly, you've got Avatar, you've got Black Adam, Black Panther. And also, next year, they're going to ramp it up. So this is a bit of a backlog of the movies after the pandemic. Some shootings had stopped. Lot of factors were at play, which reduced the quantity of movies, but now, every studio is ramping it up.

Moderator:

The next question is from the line of Sanjesh Jain from ICICI Securities. Please go ahead.

Sanjesh Jain:

I have a few. First, on the Bollywood content and the regional. And the regional is doing good. And Bollywood, somehow we've been struggling to get that mojo back. Are you rethinking on the algorithm of allocating more screens to regional movies, pushing them into other regions like Kantara into the north? Are we doing anything on from our side to push that good content in the south and reach the other part of the region, and hence, balance it out? Obviously, we know that it's becoming more pan India. But what's our contribution? Are we relooking at allocation of the screens until the Bollywood finds its mojo back? That's my first question.

Ajay Bijli:

You're saying allocation of physical screens?

Sanjesh Jain:

Yes, screens during Friday launch, allocating more to the regional, where the reviews are coming better than the Bollywood movies, which we have.

Ajay Bijli:

You're talking about programming?

Sanjesh Jain:

Yes, programming.

Moderator:

Sorry to interrupt you. We're unable to hear you. Your voice is breaking.

Ajay Bijli:

My voice is breaking?

Moderator:

Yes, it was.

Ajay Bijli:

It's got nothing to do with my answer. Must be the line. I think, Kamal, why don't you answer this if it's okay with you? They're talking about programming and showcasing of movies.

- Kamal Gianchandani:** Sure. Mr. Kumar wanted to make a point. I would request him to make this point.
- Sanjeev Kumar:** Yes. I think a lot of these movies that have come in the past 2 quarters this year have, first of all, the national films, be it RRR, KGF, and they have all been made and dubbed in various languages. The original language films like RRR, KGF have leads in their local markets. But at the same time, they've got a very good showcasing and number of shows and equal amount of representation in the other nontraditional markets as well such as North and West and Central India in the dubbed versions.
- So we are very cognizant of the fact that when these films come, they get equal representation across the country, and it helps since they also come in dubbed versions. And therefore, we're able to tap into nontraditional markets across the country. So some of them come on the first their own languages. And one of them recent example, Kantara, which came in Kannada with the original version. But then the response was so good that the producer decided to also release it in Hindi after 2 weeks. So there's a lot of support that's coming from the regional industry to cater to as wide an audience and as pan-Indian an audience by dubbing it in various languages, and we're accommodating these films all over the country in equal measure.
- Sanjesh Jain:** Okay. So what we're telling that, that is not a challenge. So if the content is good, getting a screen is really not a challenge for us.
- Gautam Dutta:** Yes, to elaborate his point, even KGF, if you see, did INR400 crore of business in the north and the west region. That was primarily because the way the film was programmed, it became bigger than Dangal only because of the kind of showcasing the film got.
- Kamal Gianchandani:** So Mr. Kumar, Gautam have covered all the important aspects. And to your question, whether it's a challenge, yes, it's a challenge. It's always a balancing act. It was a balancing act even pre-COVID, and it continues to be a balancing act post-COVID to accommodate dubbed version, Hindi and original version. We also play incidentally Tamil, Telugu, Kannada, Malayalam films in original versions in nontraditional markets like Bombay, Mumbai rather, Delhi and many other parts of North India and West India.
- But let me conclude by making this point that it's a good challenge to have. This phenomena where, as Mr. Kumar mentioned that the demand and the reviews were so strong for Kantara that exhibitors requested the producer to make the dubbed version available in Hindi, and the film was dubbed in quick time and then made available within 2 weeks and now is doing fantastic business. Which means out of thin air, the exhibitors have created incremental admissions, which wouldn't have happened if exhibitors had not applied pressure on the producer and producer had not relented by dubbing the film in Hindi. So it's a good challenge to have. The whole attention is on the ball. We are looking at all opportunities that exist, and we do everything possible to exploit these opportunities.
- Sanjesh Jain:** No, that's great to hear that we are taking initiative to push for the dubbing. I think that because you have a lot of insight into the movie and content. And that was exactly what I was looking for. Are we pushing the producer to produce more pan-India so we can advance our good content reach at least and it benefits us in terms of a better business? My second question is more on the cost line item and EBITDA breakeven. I could see that there is a rental cost decline sequentially by 6%. So what is driving this decline? Is there some part of the screens where there is a revenue sharing and hence there is a decline in the rental? Is that a right understanding? If it is, how many is rental as a percentage.
- Nitin Sood:** Yes, that's correct. We have a lot of screens where we have a revenue share percentage. In quarters where performance is below, the level of revenue share doesn't kick in or there is a very small revenue share. And hence, the sequential decline that you see is largely on account of that.
- Sanjesh Jain:** Correct. So sir, is there any intent structurally or by design, do you want to reduce this operating leverage and make it more predictable model by making rental more

variable or linked to the revenue? Is there a constant or a choice effort towards doing that?

Sanjeev Kumar:

Yes. I mean these are slightly older contracts. But of course, I think our endeavor is to make this also as variable as possible. And our endeavor will be to do that with upcoming projects and with the new developers as well. It's, again, a challenge, but a challenge that is something that we want to explore. And we have been successful in some cases and not so successful in some other cases. But that's the way forward, I guess, to make it as variable based on revenue share with the developers.

Sanjesh Jain:

Any insight, what percentage of today's screens will be on a variable? And what would be a realistic target, say, 3 or 4 years down the line for us?

Nitin Sood:

Yes. In fact, most of the new screens that we are signing would have a minimum guarantee and a revenue share clause. Bulk of those screens will have that, is what I would say. 70% to 80% of the new screen signings would have typically a revenue share clause already built in.

Sanjesh Jain:

Great. Just one last bookkeeping question. The tax rate on the gross box office collection this quarter looked quite high from 17% to 23%. Last quarter was 17%. This quarter is close to 23%. Can you help us understand what is driving such a sharp sequential jump in the tax rate?

Nitin Sood:

I don't know what numbers are you looking at, but we can have this chat offline. It will not be so high.

Sanjesh Jain:

So sir, what is the average tax rate today on the gross box office collections?

Nitin Sood:

Same numbers, 17% to 18% is for the GST basis.

Sanjesh Jain:

So 17% to 18%, okay. All right. I will take this question offline.

Moderator:

The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi:

My question is surrounding footfall. Now in this quarter, I understand that we were 39% lower than the pre-COVID and understandably so because of the average content. But if I look at some of the measures that we have been taking, like for example, showcasing the old movies of Amitabh Bachchan or, for that matter, having plans to kind of like screening the old plays, concerts, or for that matter coming up with an idea of the National Cinema Day. So basically, are these measures an indication that the industry is struggling to attract footfall with the evolution of the audience tastes post-pandemic? I'm basically asking this question because before the pandemic, the quarter for us, yes, we struggled because of poor content. So your thoughts on that?

Ajay Bijli:

I think we answered this before. Kamal, do you want to answer that? I mean because we have to clearly clarify that all the numbers which are there in the south are not showing any struggle at all. People are coming out and watching movies. This is not something alien to the Indian consumer. And it's just that a couple of months of some big Bollywood movies, which have not done well, due to which there's a decrease in footfall.

Otherwise, National Cinema Day was not done out of desperation. It was to celebrate the fact that we were shut for so many days, so many years, 18 months rather. And so it was something that was done as a worldwide initiative, and India also did it. And so this is no indication of any lack of appetite of either the moviemakers to continue to make the number of quality and the quantity of movies that they make, nor any diminishing appetite of the consumer to go out and consume the number 1 form of out-of-home entertainment for them.

Gautam Dutta:

And also, if you look at our quarter 1 numbers, that was a testimony itself in the sense we got 2.5 crore people coming in. What more would you want? And this was just after the pandemic. So we did get the number of people. This quarter is largely because of certain content not hitting the bull's eye. And coming to your fact, as

marketeers as people who always would want to ensure that people keep coming to cinemas, our job is cut out. Whenever a content doesn't do well, we will need to see different ways to get people in. We've got the infrastructure. We've got the people. We've got great F&B. So that is the reason why we will keep trying for newer things. Like Mr. Bijli said, NCD came in, and that was a big help to overall to see again whether consumers had rejected or accepted the whole concept of cinema.

And given the fact that we had 10% footfalls on 1 single day, when you look at the months complete footfall, it was an indication that consumers love to get to cinema, and it's just about the content. And whenever there will be a low content, we will like to package product differently, we will like to get into alternate content. Like we will be playing T20 and FIFA as well going forward. These are great opportunities from stand-in comedies to little conferences within our auditorium. We try everything to see how we can get more and more people in the cinema.

Kamal Gianchandani:

Yes. Just to summarize what Mr. Bijli and Gautam have shared. So firstly, we would urge all our stakeholders, including analysts and the other observers that we have vis-a-vis the film business to form an opinion on the box office after the end of Q3 and not base their opinion just on Q2.

As Gautam and Mr. Bijli rightly mentioned, there are a lot of areas, a lot of geographies, which continue to do exceedingly well. Also, with respect to Hindi, it's not fair to say that Hindi has totally underperformed because there have been films like Kashmir Files, Brahmastra, Gangubai Kathiawadi, Sooryavanshi, Bhoor Bhulaiyaa 2, JugJugg Jeeyo, Doctor G which released this Friday.

And while 83, Vikram Vedha, a lot of analysts, observers would say, have underwhelmed in terms of box office collection, we would tend to disagree because both are bordering at INR100 crore net box office collection, which is not a small number by any stretch of imagination. So from our prism, a lot of Hindi films have performed, and south has performed exceptionally well. We would also request that people form an opinion at the end of Q3 and not base it totally on Q2. On the diversification in terms of content supply, well, that's part of a strategy. We like these big blockbusters, which have something for everyone, which hit all the 4 quadrants. But at the same time, we also like discerning content, we also like niche content.

So Chhello Show, Chhello Divas, which is a Gujarati film, which is India's entry to Oscar, we are deeply passionate about such films. But at the same time, we are also big supporters of the Brahmastra, Vikram Vedha, the obvious big blockbusters, which are hitting all the 4 quadrants. We are also supportive and big believers in such films.

And at the same time, whether it's cricket, football, exhibition, musical concerts, anime films, we want to offer as much content as possible so that we can reach out to as many different segments of moviegoers as possible, and that's part of a strategy. But our mainstay will always be feature films. That will not change. That is the DNA of our business. That's the reason we exist.

Jinesh Joshi:

Got it, sir. In this context, I mean, is it fair to assume that we'll end FY'23 at the pre-COVID footfall run rate of approximately 10 crore, because if I look at 1H, I think we are somewhere around 4 crore currently. And you also highlighted that 1Q was an exceptional quarter, but the reason I ask this especially, even if 1Q, our footfall is 2.5 crore, it was roughly 7% to 8% lower than the comparable pre-COVID rate. So what I wanted to ask is that in this context, is it fair to assume that we'll end FY'23 at a 10 crore kind of footfall number, which we reported during the pre-pandemic time? Because if I look at 1H, we are at 4 crore currently. And then I asked the previous question because in 1Q FY'23, despite having footfalls of 2.5 crore, we were approximately 7% to 8% lower than the pre-pandemic phase. So given whatever recognition you have highlighted, is INR10 crore a reasonable number to go ahead with or is it slightly aggressive?

Kamal Gianchandani:

So we would not like to make any forward-looking statements at this point. But looking at the lineup, looking at the way we've started quarter 3, we feel extremely

confident that box office will perhaps surprise a lot of people on the upside. That's all we would say at this point.

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

Aaron Armstrong: Just a couple from my side. Firstly, on the average ticket price and spend per head, could you talk a bit more about the decline that we saw, please? For example, ticket price went down from INR250 in Q1 down to INR224 in Q2. How much of that is due to underperforming blockbusters or kind of movie mix? Do you charge a high ticket price for a certain type of movie versus another? How much would be attributable to the National Cinema Day or any kind of promotions around that?

And then looking forward, how do you see those numbers in the next couple of quarters? So the numbers that we saw in Q1, the INR250 for ATP and the INR134 for spend per head, was Q1 just an extremely good quarter? Or do you think we can get back to those kind of numbers in the next couple of quarters?

Gautam Dutta: So ATP did take a bit of a hitting simply because some of the big blockbusters did not fire and we needed to revert to the popular price band as we stepped down from the blockbuster pricing. Having said that, we believe in quarter 3, given the slate of the big films, we should be somewhere closer to the quarter 1 ATP. And so that's really the reason.

And National Cinema also eroded some of the ATP because the admissions were very large that day that we got close to about 10% of the overall month footfall on that single day. So technically, that did erode some of our ATP. It would have been much higher if we didn't have the National Cinema Day. But having said that, quarter 3, we should be back closer to the quarter 1 numbers.

Aaron Armstrong: And on the spend per head?

Gautam Dutta: That will be maintained. There shouldn't be any change at all on spend per head. We will be largely in the INR135, INR140 mark.

Aaron Armstrong: That's great. And then on the exclusivity window versus the OTT releases, are we back to pre-pandemic levels now?

Sanjeev Kumar: Yes. We're back to 8 weeks, 8 weeks the best, yes.

Aaron Armstrong: Great. And then could you give an update on advertising revenue please and kind of normalization?

Gautam Dutta: So advertising is taking a bit longer than what we had expected. We were very bullish about the quarter 2 recoveries. However, given the fact that some of the bigger films did not fire, we've taken a bit of a dent. We are back to about 62% of recovery over the 2019 number. This recovery percentage largely looks similar in that sort of a range for quarter 3 as well. Given the fact that quarter 3 in 2019 was one of the biggest quarters for advertising, we had INR122 crore revenue in 2019. So we believe that our number will again be around the 62%, 63% recovery mark. However, end of the year, I think we will be upwards of 70%, 72%, given the fact that quarter 4 will kind of march ahead of the 2019 advertising numbers.

Aaron Armstrong: Understood. Is that on a revenue basis in absolute terms? So in Q4 this year, the revenue from advertising will be higher than it was in 2019? Or if we look at, say, a percentage of total revenue or some kind of way that reflects the fact that the network is now obviously much larger than it was 2 or 3 years ago?

Gautam Dutta: In quarter 4, the advertising number will be bigger than what we had recorded in 2019. This is how it's being anticipated, and this is how it's looking given the release schedule of the films.

Gautam Dutta: We can't possibly give you an absolute number. But we're, as I said, close to about 72% recovery at the end of the year, the end of quarter 4 on the 2019 number.

- Moderator:** The next question is from the line of Nitin Sharma from Micro Research. Please go ahead.
- Nitin Sharma:** Two questions. Would like to understand what kind of occupancy you are seeing in the premium segment. And out of those 110 to 125 screens, how many will be premium screens? And then I have a follow-up.
- Gautam Dutta:** Our definition of a premium screens means all of our IMAX, 4DX, Playhouse, LUXE and Director's Cut. We normally operate at a higher occupancy than the normal auditorium, so it's at a premium of about 5% to 7% premium over the normal auditorium. And yes, of course, the pricing premiumness is also there.
- Nitin Sharma:** Okay. And out of those 110 to 125 screens, this year you'll be adding, how much will be the premium screens?
- Gautam Dutta:** 11% of the total screens is premium screens.
- Nitin Sharma:** Okay. The second question is, can you please talk about how much occupancy you are seeing in different regions, some sense that how much working in the western region and the southern region?
- Kamal Gianchandani:** So in terms of occupancy percentage, as would reflect from the kind of films which are the favored South Indian box office occupancy are higher as compared to West and North. I would request my colleague, Gautam, to give you the exact percentages. Gautam, would you like to share the percentage? I don't have it off the top of my head.
- Nitin Sood:** I think if you look at broadly the occupancy for this quarter, it was average at about 24%. South would be about 30%, 35%, close to 35%, whereas north and western region, which is a Hindi dominated belt, would be about 22% to 22.5%, which is broadly the difference that you would see.
- Nitin Sharma:** So occupancy in south has come down compared to the previous quarter or at the same level?
- Gautam Dutta:** Yes. Even south has come down by about 30 odd percent. It has also declined, while other regions have declined more sharply.
- Kamal Gianchandani:** So sir, sequentially, my colleague, Gautam spoke about the south occupancy. Nitin spoke about south occupancy being 35%. Sequentially, as compared to Q1, it has come down by about 12%, 13% versus the drop which has taken place in north and west, which is also at a similar level, but they also were operating at a smaller base in terms of occupancy percentage. So the drop has been fairly even if you look at sequential degrowth in occupancies.
- Moderator:** The next question is from the line of Aliasgar Shakir from Motilal Oswal. Please go ahead.
- Aliasgar Shakir:** I just want your comments on the pricing. So you did mention that pricing, you saw this quarter some impact because of some of the movies not doing well, but you also indicated that National Cinema Day lower pricing has given us a very strong occupancy of volumes. So any thoughts around there too, I mean probably if you can share if we have internally done any work in terms of understanding the price elasticity and if that can be used as an effective tool to probably improve our occupancy? The follow-up question here is also recently, Laal Singh Chaddha and a few other movies like Dhaakad and the others, which did not do very well in box office, had a reasonably good viewership. In fact, I think they were on top 2 positions on Netflix. So I mean your comments on that also will be very useful.
- Kamal Gianchandani:** So I would request my colleague, Gautam, to speak about the learnings from National Cinema Day pricing. And then we can address your second question, which we understood you're saying Laal Singh Chaddha has done extremely well on Netflix. That was your second question, right?

Aliasgar Shakir:

Yes, correct. The Laal Singh Chaddha as well as I think Dhaakad and a few others, which didn't do well on box office, have similarly done pretty well in Netflix. So I mean just your thoughts on that.

Gautam Dutta:

First, your question on the National Cinema Day, see, National Cinema Day, the way we looked at it, it was an event, an event where people celebrated cinema and it became such a rage for people to come out and get to the cinema. Even cinemas, which had a normal ATP between INR100 to INR150, which meant that they were operating at prices of between INR80 to INR200, also came out in hoards to actually come and enjoy a film that day. So one of our biggest learning was that cinema became relevant, cinema became a talking point. And this was one of the biggest marketing exercise we could have done together as an industry to get people back to the cinemas to flavor this unique offering.

So the way we looked at it was that it was never about incremental sales, and that's the reason why the price that was picked, which was INR75, was a sharp cut over what multiplexes normally operate with. Even our F&B prices that day, we've taken a sharp cut only because we wanted more and more consumers to come and flavor this product. So from that perspective, as a marketing exercise, I think it was an unparalleled initiative, which was taken by the industry.

And it got the whole topic of cinemas back. We got a lot of positive flex around it. Brahmastra, which was running in week 3, got huge amount of footfalls coming in. The new releases, movies like Dhoka and Chup also benefited a lot, clearly indicating that if price could be played tactically, this could be a great way to get more and more people to come and flavor this product. And what we also observed was that given the fact that there was parity of pricing across all the cinemas, the premium set of the cinemas did even better, simply because people wanted to upgrade and it was upgrade at no cost. So people really came in, in numbers irrespective of the content that was playing, but wanted to enjoy that experience. So I think as time would possibly sort of open up for us, we will only get better with this whole exercise and initiative, and we believe it was a great initiative in the right direction.

Kamal Gianchandani:

To summarize the key points, while we've had a lot of learnings and you would continue to see a lot of new initiatives from PVR chain, which would involve pricing-related decisions, but they would all be taken in a very responsible fashion, and we would be treading this path in a very cautious fashion. Our endeavor would always be to get incremental footfalls, but without really compromising with respect to the value that we've managed to achieve on the pricing front.

On your second question, Dhaakad, Laal Singh Chaddha and some of the other films clocking very strong streaming numbers on Netflix or other streaming platforms, frankly, very tough to comment on it because the streaming data is not freely available, unlike theatrical platform where box office data is quite transparently available with many stakeholders between exhibitor, distributors, analysts, trade pundits, media.

A lot of people have access to box office data. But very few people in fact, I would think even the producers who have licensed their films to streaming platforms, even they don't have access to streaming data of their own films. That's the nature of relationship between streaming and the content creator fraternity. So I'm not too sure what is the source of your information. But the last I looked at Netflix, I recall seeing Laal Singh Chaddha at the fifth spot in the top 10 list. And I would imagine if Laal Singh Chaddha was one of the leading film, which was being streamed on Netflix, or Dhaakad which was being streamed on Zee5, ideally, they should have been the number 1 in the top 10 list, but I didn't see that. So I would just stop...

Aliasgar Shakir:

Laal Singh Chaddha is top in Hindi, which is what most media websites have been hinting. I'm also not sure on this whole, but that's what all media websites have been hinting. But the moot question I had basically is that given the fact that we also saw good turnout when pricing was lower on National Cinema Day, and a lot of these guys also actually are playing on the pricing when they see volume. So I understand your point that you don't want to be disruptive. But probably that's why I'm trying to figure out whether is price elasticity positive and that could kind of help us get better

occupancy, better revenue if they'll begin to play around the pricing. But I get your thoughts on that.

Kamal Gianchandani: So just to clarify, when I say top 10, I'm referring to the top 10 list of Netflix platform. If you go on Netflix, one of the category that they offer in order to improve their discovery on the platform is the top 10 list on their platform. Laal Singh Chaddha is not the top film as far as I recall, but I would just leave it at that.

Sanjeev Kumar: Some of the films that have done well, be it Gangubai and Kashmir Files and Bhoor Bhulaiyaa and JugJugg Jeeyo, they've all played on normal pricing. So that wasn't really a reason why people didn't come in or that wasn't the reason why cinemas didn't perform. So all of these hits that we have in the last 2 quarters have all created regular pricing admission.

Aliasgar Shakir: Fair point. That is useful. And just last one question on the cost. So I understand we have a very fixed cost structure. But do you think I mean apart from the rental part that you did mention some time back, other costs have any variability that can be created in a way to cushion any kind of such impact that we see in specific quarters?

Sanjeev Kumar: I think personnel is one of them, which has come down.

Nitin Sood: It is already reflected if you look at the existing numbers.

Sanjeev Kumar: Utilities and personnel both have come down because we are a lot more in our control as well and with experimenting a lot with people and formats. Like a lot of our sales have moved online now, which means requiring perhaps a lot less people. So this technology is something that we're really sort of looking at driving more aggressively. So we're able to reduce personnel cost and also regulate utility, better utilization of utilities through technology.

Nitin Sood: And you must also remember, when you look at some of these costs and you compare it, we're comparing it to pre-pandemic, which is 3 years ago. So there is a huge amount of inflation that is built in. So when you see the cost remaining static or at the same level, it is after 3 years of inflation and wage growth, which is factored in, which means there has been a decent amount of reduction over where we were operating at a pre-pandemic level.

Aliasgar Shakir: Correct. Do you think movie exhibition cost has possibility of creating some variability?

Kamal Gianchandani: The film exhibition cost is 100% variable.

Aliasgar Shakir: Yes. But I mean my point was basically that given the fact that occupancy in these quarters have been low, we could kind of reset or revisit those kind of numbers that we are so far having.

Kamal Gianchandani: We would not comment on this aspect, or we would say that our market has tremendous headroom to grow. And this is the time to collaborate with our content creators and help them expand in the market, create bigger and better films. And that's where we're focused on.

Moderator: The next question is from the line of Dhvani Shah from Investec Capital Services. Please go ahead.

Harit Kapoor: This is Harit from Investec. I just had 2 questions. First one was on net box office. So in the quarter 1 call, you had mentioned that for the first 6 months of this calendar year, net box office is about INR5,700-odd crore. Would you have a similar number for what Q2 looks like in your estimate?

Nitin Sood: Sorry, can you repeat the question once again?

Harit Kapoor: Yes. You had mentioned in the quarter 1 call that net box of this overall in India was about INR5,700 crore for the first 6 months of the calendar year. Would you have a similar number in your estimate for Q2? How much was overall net box office in quarter 2, so July to September?

- Kamal Gianchandani:** No. That number, we don't have like a formal number, which has been validated by any official source. But it's safe to assume that INR5,700 crore, INR5,600 crore, which translates to about INR1,000 crore on an average per month, would have reduced by about 15% each month in these last 3 months, which is Q2 of the current financial year.
- Harit Kapoor:** Okay. The reason to ask this question was my back-of-the-envelope calculation suggested that versus pre-COVID, there would have been a material market share gain at your INR330 crore net box that you delivered this quarter. So just to validate that point. So that is my question.
- Kamal Gianchandani:** No, we at PVR chain and I would also imagine that many other organized chains would continue to gain market share from the independent cinemas, be it independent multiplexes or single-screen cinemas. That's a trend which is in play and would continue for quite some time.
- Harit Kapoor:** Got it. And my second question was on the breakeven. This quarter, you've kind of broken even at EBITDA level on 24% occupancy. Obviously, ad is not yet back as well. So assuming ad comes back to normalized level, is breakeven occupancy then a 21%, 22% number for you? Would that be the right way to look at it?
- Nitin Sood:** Correct. That's correct. If advertising revenue was to come back full steam, our breakeven occupancy would be about 20%, 21%.
- Moderator:** The next question is from the line of Jaykumar Doshi from Kotak. Please go ahead.
- Jaykumar Doshi:** This question is on a new article that was sort of in Business Standard yesterday that CCI has conducted a study regarding some self-regulation, revenue share and discontinuation of virtual fee. So what I want to understand is what's the background of this? And why has CCI got involved which has to do with commercial terms of the industry?
- Nitin Sood:** Yes. So first of all, CCI at various points of time does its own independent studies for various sectors. I think our understanding is that this is a study which was initiated by CCI several months ago to understand the film distribution market and dynamics at play. This study has been made public only a couple of days ago. Even we have not finished reading the study. So it will be difficult for us to comment. But CCI as a practice initiates and does this study for various sectors, including e-commerce, logistics, all the other sectors at various points of time. I think similarly, they have done a study on the firm distribution space in India as well.
- Jaykumar Doshi:** But can they force some changes? Or is it more of just a study where they give some suggestions and recommendations?
- Nitin Sood:** I see, we haven't read the study, so we would not like to comment on it. We've also been made available of the copy of this study only a couple of days ago, which was published by CCI. So we haven't read the study, so would not like to comment on it.
- Jaykumar Doshi:** This is the first time they have done some study on film industry, is it correct?
- Nitin Sood:** Sorry, I didn't get your question, Jay.
- Jaykumar Doshi:** Is this the first time they've done? Yes. Is this the first time they have conducted such a study on film industry? Or has there been something similar in the past as well?
- Nitin Sood:** No. This is the first time they have done a study on the film distribution piece in India.
- Jaykumar Doshi:** Understood. And my second question is you've launched some PVR Passport loyalty program for select cities today. So how does this differ from the loyalty program that you had earlier? If you could just give a quick overview?
- Gautam Dutta:** So Passport program is like a subscription program, where it was sort of envisaged as a certain fees being deducted every month from the consumer, whoever would

enroll into the program. And he would be given a certain amount of visitation free of cost against the subscription plan. RBI midway changed a few of the payment systems and processes and guidelines, because of which, there's been a little change and a delay. And now the rule dictates that we could only charge the consumer upfront and not be asking for subscription fees every month. So we've made a few changes. And we've launched that service on the 28th of September in 3 markets just to see how it kind of sort of works with the consumer. And this has been done in Kolkata, Lucknow and Pune. These are the 3 markets where we are doing a beta trial of the Passport program. And these are very initial days, just about a week that we've kind of launched it. So we will put this on a study for next 3 or 4 months, make a few changes to it. And if it sort of works well, then we will take it nationally.

Moderator: The next question is from the line of Abhishek Gupta, an individual investor. Please go ahead.

Abhishek Gupta: I have 2 questions. The first one is related to the bookings. So how much of the. Yes, sorry. I'm saying that how much is the bookings we're doing through your own PVR app compared to the other and distribution among the spot bookings, the BookMyShow or the other third parties compared to the PVR? And regarding the price hike, like the Telangana and the Andhra, there was the price hike a couple of quarters back. Did we see a downfall over there due to the price hike or anything related to that? And also I'll speak on to the questions to that as it will be easy for you guys. And the third one regarding the F&B optimization, so as consumer and as an investor, myself, so when you go there, it's very unoptimized way of getting an F&B served on a Friday night. I'm worried about what did happen on the National Cinema Day when 6.4 lakh visited your campuses. But on a regular Friday or a Saturday or a Sunday, there is a very less optimized F&B. Myself went back to the theater after the interval without taking the food because it was not optimized, not served. They were very slow in all those things. How are we resolving that.

Kamal Gianchandani: Maybe your first question, which is PVR apps and website contribution, this is sensitive information to our business. And if you don't mind, we would like to pass this question. Your second question was can you repeat the second question?

Abhishek Gupta: It was regarding the price hike that happened in Telangana and the Andhra market a couple of quarters back. Has that impacted the footfalls and the appetite?

Gautam Dutta: So there was a price hike. And clearly, the pricing decision has been taken. It will take a little time for it to settle. The price hike in that market is a little severe. But we believe that given the overall cinema experience and the way we are kind of upping the game on F&B, we'll be able to settle the market with that.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to the management for closing comments.

Sanjeev Kumar: Thank you, everyone. Thank you for joining the call and appreciate your questions and your support. And thank you, and we will convene again in the next quarter.

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