"PVR Limited 1QFY2018 Post Results Analyst Conference Call"

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MODERATOR: **MR. ABHISHEK RANGANATHAN -- AMBIT CAPITAL.**

Moderator: Ladies and Gentlemen, Good Day, and Welcome to the PVR Limited 1QFY2018 Post Results Analyst Conference Call hosted by Ambit Capital. As a reminder, all participants' line 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. Abhishek Ranganathan from Ambit Capital. Thank you and over to you, sir!

Abhishek Ranganathan: Thank you. Good evening and welcome to this call. We have Mr. Nitin Sood -- the CFO; we have Mr. Gautam Dutta -- CEO; we have then Mr. Kamal Gianchandani -- Chief Business Planning and Strategy; and Mr. Saurabh Gupta -- VP (Finance) representing the company.

I will leave the floor open to them to make opening remarks and express my gratitude for giving us the opportunity to host this call. Thank you.

Nitin Sood: Thanks, Abhishek. Good evening, everyone. Thank you for taking out time for this call. A quick snapshot of our 1Q numbers.

The consolidated revenues for the quarter were Rs653 crore as compared to Rs579 crore during the corresponding period last year which is up by 13%. Consolidated EBITDA at Rs128.5 crore grew by 4% as compared to Rs123 crore in the same period last year. And PAT at Rs44.3 crore for the quarter is up by about 3% as compared to last year.

Overall, if you look at the Box Office revenues for this quarter, they are up by 11% as compared to 1Q of last year and the large part of the growth has really come from the big-ticket price hikes that we have taken at the end of last quarter.

It has been a slightly slow growth from a footfall perspective. I think Baahubali clearly was one of the stellar films, which gave us a fantastic May. And we are hoping that the quarter will close with a big bang with Tubelight which was expected to do extremely well at the end of the quarter. Unfortunately, that did not do very well and that is one of the reasons we are seeing a footfall drop this quarter.

So, if you leave aside the Box Office performance which is what impacted on account of footfalls drop. F&B and advertising which are the non-Box Office pieces continue to do exceedingly well. Our spent per head growth on F&B was 10% during the quarter. Advertising revenues overall grew by 31% during the quarter and are up to Rs67.4 crore.

We had added about eight new screens in this quarter, five screen multiplexes in Chennai, three screens in Kota. And now, have a network of about 587 screens. We have 30 more screens which are absolutely ready and are either awaiting licences or waiting mall completions so that they could also open. And we are expecting, we will close the year with about 65 to 70 new screen additions.

In this quarter, July has a slightly slow month, as we started off with Tubelight. But I think August is looking like a very big month. We have a lot of big films coming up in August and hoping that 2Q will be a decent quarter on the back of some big line-up of films which are slated to release in this quarter.

I would like to throw open the floor for Q&A and we will be happy to answer any questions that you may have.

Moderator: Sure. Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Shivram Krishna from CRISIL Limited. Please go ahead.

Shivram Krishna: I just have a couple of questions on the business. The first thing is on the GST front. Some of the states that have come up with some additional cess beyond the existing 28% that has already been announced. So, do you see that being repeated itself across most of the other states because I think Tamil Nadu is the first one that has said that they will levy additional cess?

Nitin Sood: Yes, see, currently there is no state which has actually levied Local Body Taxes which is now the empowerment which has been granted under the revise regulations where the local bodies are empowered to levy Local Body Taxes in the form of Entertainment Tax on cinemas in addition to the GST. Tamil Nadu had amended the act and levied a 30% Local Body Tax on top of GST. But subsequent to the representations made by cinemas in the state, the government has currently set up a committee which is examining all the issues which cinemas had raised and the committee is essentially examining three or four matters. The first is about, the ticket price cap which exists in that state for a very long period of time. So, cinemas had requested that the cap be revised. Secondly, the committee is also examining the restriction on number of shows. Thirdly, the committee is examining the Local Body Tax issue, in what form and manner and what it should be, if it should get levied. So, these three or four matters are pending before the committee and we are expecting to get a final decision on all these matters put together. So, as of now, we do not have an update whether a Local Body Tax will actually be levied and if yes, how much will it get levied? We made strong representation against that considering the industry is already taxed at 28%. So, I think, the concern is quite genuine. And currently while no state has indicated that they may levy a Local Body Tax in addition to the GST which is currently applicable. But yes, if Tamil Nadu levies that will be a disappointment. And yes, there could be more states which could levy something like this in near future but we will strongly lobby with it. I guess, the only choice as an industry that we have is then to really pass on this additional tax burden in form of higher ticket price to the customer and luckily I think if you look at the way the businesses, we have demonstrated that the business has pricing power. It will be unfortunate if the government's levy any local taxes in addition GST because it will defeat the purpose. But I guess cinemas across the country will have no choice but to then pass it on to the customer.

Shivram Krishna: Okay, thanks for the clarity on that issue, sir. And just secondly, other question I had on the production distribution side actually, sir just wanted to understand, what is the kind of pipeline that we have for the FY2018 and what kind of movies are we looking to come up with?

Nitin Sood: So, at this point we are not making any forward-looking statements. We would be comfortable speaking about the first quarter, which has been a very heavy jump over the last 1Q of the previous financial year. That said, the distribution business production is something which we have ceased the operation for quite some time. But distribution has been consistently growing business for us. And we have no reason to believe that we would have any problem sustaining that growth over the next three quarters as well, is what we can share with you.

Moderator: Thank you. The next question is from the line of Parthiv Jhonsa from NVS Brokerage. Please go ahead.

Parthiv Jhonsa: Sorry, I actually got connected to the con-call a little bit late. So, I just have few questions on the overall spending on the F&B and the advertisement and how your company looks going forward?

Nitin Sood: See, both if you see F&B as well as advertising have shown fairly decent growth. F&B grew by 10%; whereas, advertising grew upwards of 30%. And if you look at the base at least for both advertising as well as the SPH is a very healthy base when compared to the overall category. So, we believe that if we have managed this kind of growth, we seem to be doing well.

Parthiv Jhonsa: Okay. And my second question is sir, what would be the average ticket cost for this quarter and the average footfall across India?

Gautam Dutta: See, our average ticket price during the quarter was about Rs214 across the entire cinema circuit and we had 2.1 crore footfalls during the quarter.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question continuing on the GST bit. So, on the GST front, just wanted to understand your thoughts as to whether we will pass through some of the benefits to the last mile to the consumer there in terms of probably a slightly lower ATP or a SPH to pass on the benefits or we will prefer to maintain our margins and what is the management thoughts on that?

Nitin Sood: Yes. See, I think we still have to wait and see how the whole GST scenario will play out because there are a lot of moving parts on the GST bit as of now, while I think our effective rates in some states have gone down. In a lot of other states, they have gone up. So, when we look at the picture, we have to look at the picture at a national level instead of state level. Our average tax rate on F&B has also moved up. And whereas, we are going to get eligible to some input tax credits, some of the deductions that we earlier used to claim because of tax exemptions and benefit of service charge will probably be less available or there is lack of clarity on some of those matters. So, I guess, we will have to wait for the next six months to really watch out how the whole GST will impact the business. And clearly, if we see any benefits emerging on that front, we would pass that on to the customers.

Ankur Periwal: Sure. Sir, secondly, on the ad growth front, pretty strong number there, will it be fair to say that most of the synergy benefits that would have come with DT Cinema acquisition are already there in these numbers or there is still some upside to it?

Nitin Sood: There is a very little upside still to be gained simply because we were at the very last stages of renovation and rebranding them as PVR. But I would say the bulk of it has already come in but there would be a little upside about 10-15% more that we will be able to extract out of the DT property as we get into the festive season.

Ankur Periwal: Sure, that is encouraging. And just one book keeping. Our employee cost has shot up pretty significantly in this quarter, any one-off over there?

Gautam Dutta: Yes, so there are some one-off annual incentives. But apart from that the big issue has been two states which were bound for falls in local elections, Delhi and Karnataka increase minimum wages in end of March by 35% each. The normal increase typically in a year is about 8-10%. So, that was quite substantial and given the fact that we have a large circuit in both these states that has had an impact.

Ankur Periwal: Sure, because surprisingly INOX number does not show such sharp jump. Although I am sure represent easily over there.

Nitin Sood: Sure. So, I cannot comment on that. We have not looked at their numbers as yet. But clearly, I think we have a much larger, they are virtually not present in Delhi NCR and we have a much larger circuit in Karnataka. So, we will have to analyse that.

Ankur Periwal: So, this number will remain at these levels more or less, going ahead?

Nitin Sood: No, I just said some part of it is one-off incentives as well which will not be there in 2Q.

Ankur Periwal: We will appreciate if you can highlight that portion, if at all.

Management: Yes. So, around 13% to 14% will be a continuing kind of number corner leasing basis and increments that we generally give and 7% would be a one-time kind of number which will be there in the coming quarters.

Moderator: Thank you. The next question is from the line of Aksh from Motilal Oswal. Please go ahead.

Aksh Vashishth: My question is on Anti-Profiteering Rules of the GST. What is your stance on that and are we expecting any impact on margins because of that?

Nitin Sood: So, as I have commented earlier, I think we still have to wait and watch what is going to be the impact of GST on the business because there are a lot of moving parts. As things currently stand, I think we have no reduction in the average rate of tax on tickets. Our effective tax rate on F&B has moved up. But some of this is going to get offset by the input tax credits that the business will be eligible for and we have to still wait and watch on what will be the impact on e-Tax exemptions that we enjoyed earlier, how will they get protected? So, I think as things stand, we estimate the impact to be not very significant either way as a result of transaction to the GST. So there is no question of Anti-Profiteering currently being applicable and I think, we will wait and watch the situation after next two quarter. If we really think there is a net impact benefit of the GST we will take a view and pass it on the customer.

Aksh Vashishth: Okay. And just some clarity on how this input credit that we will get, will passed on because if we consider input credit on F&B it can be directly escalated down to the customer?

Nitin Sood: No, it will be computed at the overall impact as a margin on the impact of margins on the business as such. I think doing individual item wise is not possible, if my tax rate in one state has gone down but in another state has gone up by 30% that does not mean I can increase prices in one state by 30% and decrease prices in one state by 20% that is practically not possible. So, I guess that picture will have to be more looked at a holistic level rather than at individual pieces.

Aksh Vashishth: All right, that helps. And another question on e-Tax exempts screens that we have. So, now all the partial and fully exempt screens will come under the purview of GST. And to what tune are we expecting an impact because of that?

Nitin Sood: So, all of that as said, is all factored in. We do not see any real impact on the operating dynamics of the business as a combination of these factors and there is lack of clarity on how some of the promises made by the respective state governments will be honoured under the revised GST regime and what each state would do in form of refund mechanism to grandfather / kind of give rebate to some of these scenarios. My sense is that more clarity will emerge in the next three to six months and we will have a better picture of how GST will effectively play out.

Moderator: Thank you. Next question is from the line of Naval Seth from Emkay Global. Please go ahead.

Naval Seth: Couple of questions. First on ATP, looking at your numbers as well as INOX, I believe both the companies have taken price hike before GST in the anticipation if at all any Anti-Profiteering clause could be there. So, how one should look at now ATP going forward? Is it the peak because in last many years the third quarter is the best quarter in terms of ATP, while will we see that on sequential basis now that gets kind of normalised going forward at least for FY2018?

Gautam Dutta: Yes, see I think we intend to sustain pricing at existing levels and we do not expect any pricing changes in the near-term. The impact is also looking higher especially in 1Q because if you look at last year because of demonetisation I think the business did not take any price hikes and the price hikes were all deferred. And they are all now reflecting cumulatively in 1Q. But we also had a lot of tax-free films in 1Q of last year. So movies like Sairat which was big in Marathi and depress the ATP in 1Q are making the impact look slightly higher when you do a comparison. I think on a full-year basis, we will stabilise at about 7% ticket price growth this year.

Naval Seth: Okay. Secondly, on ad revenues, so again both the companies have seen extra-ordinary growth. Should one assume one-off because of Baahubali impact or is it that advertisers have started to contribute higher or spend higher bucks on multiplexes as it was in the past? And any number for the full year guidance you want to revise upward or maintain that how one should look at?

Gautam Dutta: So, largely the guidance given at the beginning of the year was around 20% growth I think we will stick to that number one. Number two, your question was on the 1Q numbers, both the companies while we have not really studied or seen the INOX numbers so far. However, it seems that the big tent-pole films tend to get more advertising which is why both PVR and INOX would have gained. Having said that, it is a great story where now another multiplex chain is also getting some sort of attraction which shows eventually the media will get more and more respect among media buyers. So far, just PVR but it is good news because as this category grows and garners more respect among the media planners and buyer, the whole category could grow. That is really what it is. But however, the numbers for the year I think we are not going to give any upward guidance currently, it stays at 20%.

Naval Seth: Okay. And on the rental cost increase your PPT says it is around 15% increase happens in the second leg. So, any properties which would have come for renewal in first quarter and any property would have seen substantially higher rental increase as compared to the blended average you want to highlight over here?

Gautam Dutta: We would not like to name specific properties but yes, there are a lot of big properties that have come up for renewal either later part of last year or early this year, so it is not only in this quarter but may be in the last four - five months, six months they have sum up for renewal. So, as a combination of those properties when you do a comparison of comparable properties, 1Q of this year has looked higher compared to last year. And the growth is about the comment that we have made is typically the growth happens in a bunch which is about 15% every block of three years. So, those blocks if that block is falling in a specific year then clearly cumulatively that will look higher.

Naval Seth: Okay. So, let me ask you this way that were there properties where rental increase would have been far higher than your expectation whatever has happened in last five to six months.

Gautam Dutta: Not really. In this case, bulk of these properties has either come up for renegotiation as I said. When a lease ends they get reprised to the market and there are some properties where we had in the early stages of the property life cycle discounts because the malls have not taken off and now they have come back to their normal level. So, as a result of which you have seen a big jump in the rental for those properties.

Nitin Sood: Yes, and in some properties, we have a concept of revenue sharing as well. So, especially in some of the properties where Baahubali has done really well, southern part of India, so there is some component of revenue share also attributable in this 9% kind of same-store growth.

Naval Seth: Okay. And my last question is on CAPEX guidance for FY2018.

Gautam Dutta: I think our CAPEX will largely be similar to last year which is in the range of about Rs275-300 crore that is broadly the outlook for CAPEX as of now.

Naval Seth: But this would include one large property of Mumbai that drive-in cinema as well?

Gautam Dutta: No. So, there will be part of the CAPEX of that cinema this year, yes. But that property is likely to open only in next year. So, what you see is really property openings but there are a lot of properties which are under fit out as well. So, at any point of time, we would have 80 to 100 screens under fit out. So, CAPEX is a combination of screens which actually end up opening and which are under planning of the fit outs have commenced. And then some of the renovation stuff upgradation that we are doing for our existing portfolio of screens.

Naval Seth: And there is no meaningful increase in CAPEX per screen on comparable say if at all if I compare a single location like say Delhi or Mumbai. So, there is no substantial increase in CAPEX per screen which we would have seen, am I correct sir?

Nitin Sood: Yes, so our average broad CAPEX is largely in the same range where the only increase in CAPEX per screen is really in the case of technology upgradations where we are introducing newer formats, where the technology is far more expensive, but clearly the payback is compensated by the higher pricing power and higher sponsorship for those formats.

Moderator: Thank you. The next question is from the line of Swati Madhabushi from East Capital. Please go ahead.

Swati Madhabushi: I am having a tough time rubbing my head around the admit number and the occupancy number. So, I know that this might sound simplistic but what I did was, I just summed up the Box Office number of all the films which were released I the first quarter of this year and the first quarter of previous year and there is a definite 30% increase only in Bollywood collection. So, it is a simplistic method, given Baahubali impact, I still cannot wrap around the occupancy and admit number because on the comparable side, it is actually a decline of 7% with respect to the admits right.

Gautam Dutta: Right. So, I think the best answer to your question would be that the same-store admissions, these are the facts and these are undisputed facts that the same store which cinemas operated for full quarter for last year and same cinemas which have operated for full quarter this year, when you compare the admissions, the admissions this year are lower by 7% and the reason for that really is that apart from Baahubali, couple of other films which we expected would do well at the Box Office performed below expectation and this applies to not just Hindi films, it also applies to Hollywood films, you would recall last year we had an outlier called Jungle Book which is the highest grossing Hollywood film that we have seen ever. This year unfortunately, we did not have anything which was ape as on Jungle Book. So, when you combine the underperformance of certain Hindi films, when you look at the fact we had certain outliers in 1Q last year that is what is resulting in a same-store decline of admissions. That said, you also have to factor in that ours is a cyclical business, we do not look at our business on a quarter-to-quarter basis. We tend to look at it when you are speaking about admissions, on a holistic basis which is a full 12-month period that is the more prudent way to analyse one-year performance over the previous year's performance because on many occasions when you have certain big films underperforming in 1Q those get compensated by certain films over performing in 2Q and so on. So, that is really the comment on same-store decline in spite of Baahubali which has been the highest grossing film in 1Q. When you look at the percentage occupancy of this quarter versus 1Q of last year, you would notice the difference is marginal and the main reason for that is that the films that we had this year were slightly long in terms of length and as a result we could accommodate less number of shows as compared to the 1Q of previous year and which where the decline in occupancy is marginal less than 7% whereas the drop in admissions is 7%.

Swati Madhabushi: Okay. Thank you for clarifying that. I notice that it has been like five consecutive quarters of bad content. So, it is somehow I know these are factors not under your control. But as you said because last year it was forming a low base, it was not like 1Q last year was very-very good or something like that, so the 3% growth at earnings is kind of disappointing.

Gautam Dutta: Your comment that this is a continuous fourth or fifth quarter in which content has underperformed, it is factually correct. Because in 4QFY2017, we actually saw a same-store growth over the previous 4Q and then if you look at 1Q of last financial year, Q1FY2017 even in that quarter we saw same-store growth. So, I mean like I mentioned we look at our business on a holistic 12-month period and that we feel is that best way to look at our business and analyse it. This is not the fourth or fifth straight away in which we have seen same-store decline.

Swati Madhabushi: Okay, thank you for clarifying that. My second question is regarding the screen opening, so I see that when you open these eight new screens, these were at the end of the quarter. So, the rest of the 30 screens which you said that you have ready and you are just waiting for licences or mall process. I mean, do you still have visibility over when these 30 screens will be opened? Or is it also like you are ready but you have no control over what is going to happen?

Nitin Sood: Yes, so practically right, these are best estimates only. There is no specific like we have no control over when the shopping mall will get the OC. He spent Rs1,000 crore or Rs1,500 crore to build a shopping mall. So, technically in a lot of cases, we can apply for a licence only when somebody gets occupancy certificate for a shopping mall. So, there are issues like this where we are ready, where shopping mall developer is not ready. In some cases, like in Pavilion Mall specifically in Pune we have got a cinema operating licence for last two months now but the mall has been empty and the road outside the mall was dug up. So, finally the tentative opening date is 11th of August. So, there are issues which are beyond our control. So, these are best estimates only.

Swati Madhabushi: Okay. And last question from my end, is there any update on the court case which you have in Karnataka, so you manage to get a stay order against the cap, right? Has the case progressed?

Nitin Sood: No, there has been no further progress on the case. The government had not yet filed its reply and the case is not yet listed for a hearing. So, I think, it is a status quo on the matter.

Moderator: Thank you. We have the next question from the line of Vimal Gohil from Union Mutual Fund. Please go ahead.

Vimal Gohil: Sir, my questions are relating to the ad growth that you have seen. Sir, firstly, could you just break this revenue growth into realisations versus volumes?

Gautam Dutta: The pricing increase is roughly about 2-30% and rest is all volume increase and volume increase more in our gold and silver cinemas rather than the platinum cinemas.

Vimal Gohil: Right. And sir, I mean this is slightly counter-intuitive and most of the company that we talk to are talking about destocking and challenges from there and despite that, such a healthy ad growth is extremely encouraging. So, what are your conversations with advertisers saying right now, post-GST? Do you see this ad growth picking up from now and what is the outlook over there?

Gautam Dutta: See, first and foremost, you need to understand how cinema is bought and sold. Cinema is largely a medium which gets a huge amount of boost whenever a big film, a blockbuster gets released. In this quarter, we had a couple of tent-pole films which kind of encouraged the advertisers to come out and advertise. Baahubali not only promised to be alive at the cinema for a couple of these were much longer which actually meant that the advertising flow was very steady. So, that is one of the reasons why it did exceedingly well. Yes, you are right, more and more advertisers, buyers, as well as the planners are now taking this medium a lot seriously. I just spoke about a few minutes back where I said, if you have more than one player now sort of gaining it augurs very well for the category and which means cinema has a long way to go because in a stage where digital is now harping about one on one kind of advertising campaign, cinema also being a captive media has a great potential. And we believe that in years to come this will become a very strong medium to advertise.

Vimal Gohil: Right. And lastly, as you said, do you expect ad growth also to be supported from the fact advertisers will now look more so towards the multiplex avenue and probably single screen guys will be left out in this race?

Nitin Sood: Difficult to say. See, single screens will go to consolidators, so they may not be able to get any attraction on advertising if they were to go out and their own cinema separately. So, there is a method of how single screen could possibly garner advertising revenues. But as far as multiplexes are concerned, four large players are big enough to be able to go out and be able to garner advertising revenue straight from both advertising agencies and clients.

Moderator: Thank you. The next question is from the line of Urmil Shah from IDBI Capital. Please go ahead.

Urmil Shah: Sir, three questions. First book keeping one, could you split the Box Office collection across Bollywood, Hollywood and Regional?

Nitin Sood: Yes, so Regional movies because of Baahubali, they contributed almost 23% of our admits in this quarter and the Bollywood and Hollywood movies contributed the remaining 77%, out of which Bollywood was 56% and remaining was Hollywood movies.

Urmil Shah: So, bigger stars because they are getting digital monetisation at a very high price, they are not going along with the large studios and that is impacting the distribution of the movie. You think that could have an impact on your business or this should not be a case we should consider?

Nitin Sood: It is correct that some of the actor-led production houses have distributed their films directly. Tubelight is a case in point and Jab Harry Met Sejal is a case in point. You also have to remember that Amir Khan, his company has also been doing this similar practice with their films, with their own productions for last many years. This is not a new practice. For film makers releasing it in theaters or film in theaters remains a paramount objective and give it their best shot when they make a film, when they act in a film, or direct or produce in film, it an ambition of very producer, actor, director, to see their film on the big screen and be successful there that is not really a consideration just because the actor-led production houses decided to distribute the film directly, cannot be interpreted into bad distribution. And also, you have to recall that a lot of films were distributed by studios which did not really do well at the box office. So, no, I mean a film does well or does not do well, is something which can be attributed only to the quality of content, marketing has a role in it but actor-led production houses are equally good at marketing business and distributing business. There is absolutely no justification of reasoning to believe that, that has been because of Tubelight underperforming that is point one. Point number two, the digital rights have been growing at a rapid pace both Netflix, Amazon Prime, and of course Jio, have been investing heavily with also a lot of smaller platform having investing heavily in this market. But you have to remember that if you have to watch a film legally on day one, first weekend, first week, second week, the only place that you can go and watch a film is at a theater. So, the windows between theatrical release and release on any other platform will be sacrosanct. All producers, all studios are extremely supportive of it and theatre remains the most premium and the best format of making a film available for audience viewing and nothing has changed on that front even with the advent of digital platforms. If they offer big monies to acquire a film, we believe is good for the industry because it goes into investments of bigger and better films which eventually will come back to theatres when they meet and they will benefit the entire industry, the entire value chain. So, we welcome this addition of a new format and we believe actually, it is positive event for the entire film industry.

Urmil Shah: Sir, my last question is on the advertisement revenue. Last year, we had indicated that we are trying to get almost like 175-200% premium for blockbuster rates. So, has the same thing panned out say for Baahubali or it has been better?

Nitin Sood: It is the same, these are standard rates that we follow. However, Baahubali or for PVR, we made a conscious effort of moving movie advertising to our Tier-II and Tier-III markets because we wanted to also insulate the customer experience. So, to your question, yes, we have managed to get the premium. Baahubali was always classified as the mega blockbuster and the rate card demanded premium for that.

Urmil Shah: Sir, and lastly, the same-store ad growth has been 20%. Should we take this way even the new screens would have got similar ad monetization as the existing screens? Because the…

Nitin Sood: Not really, because it takes about 12 to about 15 odd months for advertising or advertiser to start coming full throttle new cinema. Some size gets this attraction very-very fast because of the premium location or the format that we launch. But most cinemas would take that kind of time to get to their full throttle revenues.

Gautam Dutta: So DT would be an exception to that role. DT Cinemas would have got good traction from the day of the acquisition.

Urmil Shah: Sorry to stick to this. But our screen capacity addition is about 7%, and the same-store growth is 20%. So, balance is about a 10% growth which would have come from new screens. And as I understand, DT's all the screens were added in 1Q of last year.

Nitin Sood: You look at comps versus non-comparable screens, so screens which are not operational for the full quarter of that year are classified under the non-comparable category.

Moderator: Thank you. The next question is from the line of Darpan Chakar from HSBC. Please go ahead.

Darpan Chakar: I have two questions. One, can you just share of top two or five films in footfalls and revenue? And second question is, your 65% of new screens for this year are coming from the southern region. So, as per your tie-ups what is this number for next two-three years and are you facing any different kind of challenges in this region for expansion?

Nitin Sood: See, it is very difficult to predict what percentage will be next year from these markets. I think, we will be able to predict that closer to the beginning of the financial year because I think we will get a broader idea of which malls are kind of shaping up and nearing delivery. But we have a decent part of our portfolio which is signed-up in south India and I think, I do not want to give any percentages. Right now, we will be able to predict that I think close to the end of this financial year.

Gautam Dutta: And as regard to your other question on top five movies, I will share it post this call. If you can just drop me an email, I will share the numbers post this call.

Darpan Chakar: Sure. Are you facing any different kind of challenges in southern region for expansion? Because we have seen the expansion in northern and western regions, so why the expansion in this region is slower till now?

Nitin Sood: It is just that the whole retail infrastructure, shopping mall development, is largely outside of Bengaluru and other markets like Kerala, Telangana, Andhra, and Tamil Nadu specifically have been slower. But I think, these markets are now beginning to take off as the regulations get more relaxed and more shopping centers open. So, I guess, that is the reason, the multiplex screen penetration in these markets is much lower than rest parts of the country.

Moderator: Thank you. The next question is from the line of Alekh Dalal from One Thirty Capital. Please go ahead.

Alekh Dalal: In terms of the cost on the same-store basis, you talked a little bit about this labour expansion jump and you said that 20% jump is probably out of that 7% is one-off. So, 13-14% growth on same-store basis is the right amount of personal expense jump that we would expect, correct?

Nitin Sood: Correct. 12% to 13%, yes it should be this year, yes.

Alekh Dalal: Okay. And that works out to about 30 basis points to 50 basis points something like that, 50 basis points margin impact in the quarter.

Nitin Sood: Yes.

Alekh Dalal: Yes. And then on your repairs and maintenance you had another 20% jump, could you give some colour on that?

Nitin Sood: So, again in repair and maintenance we have two, one I think our IT spends on upgradation of technology is one area where we are spending more on. We have done a soft launch of a loyalty programme, I think it will be fully launched in this quarter. So, a lot of spending towards kind of building up that and in case of housekeeping, we had some one-off expenditure which came in this quarter due to some upgradation. But the impact of that would be about 2% - 3% on that account.

Gautam Dutta: Yes, 3-odd percent would be one-off which will be only specific to this quarter. And repair and maintenance also keeps fluctuating quarter-on-quarter, so you cannot just take this run rate for the future quarters as well.

Nitin Sood: It is also a function of when do we get such an opportunity to kind of do this expense depending upon the spare time at the cinema.

Alekh Dalal: So, roughly, we are talking Rs4-5 crore or may be Rs5-6 crore of one-off expense items in this quarter, is that fair?

Gautam Dutta: Less than that.

Nitin Sood: You are right actually, there is Rs5-6 crore kind of one-off expenses.

Alekh Dalal: For this quarter, okay. And were there any other additional one-timers in terms of may be some ESOP expense or anything of that sort?

Nitin Sood: No. That is captured as part of as you said 7% in people cost is one-off. So, that is captured there.

Moderator: Thank you very much. That was the last question. As there are no further questions, I would like to hand the conference back to the management for their closing comments.

Nitin Sood: Yeah. Thank you very much for taking time to be on this call and if we have any follow-up queries, feel free to write to me or my colleague Saurabh, and we will be happy to answer any questions that you have. Thank you. Thank you very much.

Moderator: Thank you very much. On behalf of Ambit Capital, that concludes this conference. Thank you for joining us, Ladies and gentlemen. You may now disconnect your lines.