



“PVR Limited 4Q Financial Year 2015 Earnings Conference Call”

June 01, 2015



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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the PVR Limited, 4Q FY 2015 Earnings conference call, hosted by Motilal Oswal Securities Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance, during this conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Niket Shah from Motilal Oswal Securities. Thank you and over to you Mr. Shah!

Niket Shah: Thanks so much. Good afternoon everyone. We at Motilal Oswal are extremely pleased to hold this concall on behalf of PVR. From the management, we have Mr. Ajay Bijli, Chairman Cum Managing Director, Mr. Sanjeev Kumar, Joint Managing Director and Mr. Nitin Sood, CFO of the Company. I now ask the management to kind of give any opening remarks if any and the outlook for the next year and then we can open the floor for the Q&A. Over to you Sir!

Ajay Bijli: Good afternoon everyone. This is Ajay Bijli. Thank you very much for taking the time for this call. I will give you a snapshot of the Q4 and 12 months numbers before we get into Q&A.

The consolidated revenues for quarter ended March 31, 2015 was Rs.301 Crores as compared to Rs.316 Crores during the corresponding period of last year, which is down by 5%. The consolidated EBITDA for the quarter was Rs.12.7 Crores as against Rs.35 Crores in the same period last year, down by 64% and the consolidated PAT for the quarter was negative Rs.35.5 Crores.

The consolidated revenues for the full year, which is 2014-2015 was Rs.1486 Crores as compared to Rs.1359 Crores the last year 2013-2014, which is up by 9%. Consolidated EBITDA for this year was Rs.210 Crores with an EBITDA margin of 14.1% as against Rs.223 Crores with an EBITDA margin of 16.4% in FY 2013-2014 down by 6%. Consolidated PAT for FY 2014 and 2015 was Rs.11.6 Crores.

The box office during the quarter continued to be very poor with no major films releasing during the quarter as compared to last year. The problem also got compounded with cricket World Cup, which lasted 44 days and India ended up playing well that also coincided with the quarter, which impacted admissions in theatres.

While non-box's revenues continued to also perform with food and beverage revenue showing a growth of 17% and advertising revenues growth was 18%. The drop in box



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office was quite significant and hence impacted the overall EBITDA. I would also like to highlight that while 2014-2015 was not a great year for the film industry both exhibitors and producers, 2015-2016 has started an excellent note with resurgence of films and back at the box office.

April and May have been great months from box office perspective with movies like Fast & Furious 7, Avengers, Gabbar Is Back, Piku, Tanu Weds Manu, all these films have done very well and the appetite to go out and watch movies is back with a bang.

Going forward even in June, we have a big movie like Dil Dhadakne Do, Jurassic World and ABCD-2, which is releasing in June. The content pipeline looks very promising and hopefully the worst in terms of content should be behind this and we expect a blockbuster 2015-2016.

On the impaction front, we continue to grow aggressively and pursue our rollout of new screens in the current financial year. We have opened 50 screens and currently operate a network of 467 screens spread over 105 properties in 43 cities across the country.

We intend to add another 60 to 70 screens in FY 2015 and 2016. Thank you very much and I would like to also mention that our CEO, Mr. Gautam Dutta is also here. So if you have any questions, please go ahead. Thanks very much.

Moderator:

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy:

Thanks for the opportunity. Sir, my first question is FY 2015 has been an extremely tough year and you said April-May this year has been very good, so my question is when do we see the peak margins coming back, now content got delayed and content now is looking good, so in that context do you see this year peak margins coming back or next year, what is your understanding of the peak margins?

Nitin Sood:

Our outlook is I think the content pipeline for this year is looking great. I think we have to see it in context of how the consumer sentiment is. April and May have been a very, very strong indication to say people are wanting to go out and watch great content. I can only say the growth has been double digits in the first two months of this year and June is also looking fairly promising. So if we see I think we have to watch the next three to four months and depends on how the content shapes out, if next three to four months go fine, I think we are definitely looking at it to be a peak margin.



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- Abneesh Roy:** In F&B, this quarter Q4 the gross margins are down around 60 BPS, so what is because of the slow down you are offering more value because that is very surprising in terms of other food companies you are seeing gross margin expand. In your case, 60 bps drop in gross margins YoY, what was the reason for that?
- Company Speaker:** Essentially I think the focuses are changing quality of product offering that has been I think one of the big reasons. We normally have our F&B pricing in line with our ATP because of the fact that there was a very little strong content that we got in Q4, we were largely working on the lowest slab in terms of pricing and we had placed our F&B pricing in line with the ticket pricing, normally it is the big films that both pull the ATP as well as the prices of the F&B higher and the lack of it really has resulted into a slightly higher cost.
- Abneesh Roy:** Sir I could not understand this part, so you are saying in the same screen, the F&B pricing can be different on the same day?
- Company Speaker:** Yes it can be, but that is one of the reasons we use now technology very aggressively, all our F&B counters are digitally mapped, so technically at a click off a button from here we can technically control all pricing for a day part, a week and around movies as well.
- Ajay Bijli:** Normally I think what we also do is if we realize with the nature of films as such where the consumer is unlikely to be spending more then we also reduce our F&B pricing during the quarter. So that also kind of comes into play and we have couple of religious films releasing in this quarter, where we actually have to bring down the F&B prices to ensure there is some consumption.
- Company Speaker:** Now I also remember in February we had the MSG actually for which we have done a special combo of Rs.50 for all the people who are coming in to watch this film and that was also one of the reasons for that specific month where the COGS went up a little.
- Abneesh Roy:** So going ahead logically speaking gross margin should improve right, if content pipeline looking good for us two months we have seen double-digit growth?
- Company Speaker:** I think you should see some of that getting reflected in this year. I think overall gross margin should improve from where they are.
- Abneesh Roy:** Sir my last question is bookkeeping question, your trade receivable is up sharply from Rs.52 Crores to Rs.76 Crores, loans and advances also from Rs.23 Crores to Rs.38 Crores, so what has led to that?



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- Company Speaker:** There are two reasons. I think trade receivable is up because our overall advertising revenues are up. So if we look at in that context, average trade receivable days have only moved up by about seven to eight days, but because our advertising revenues have moved up by Rs.40 Crores, so trade receivables have moved up to that extent and the other question about increase in security deposits is largely due to new property signings that we have done and also I think some of the leases, which had come to our end, or we have kind of reentered those leases for further term of another 10 to 15 years and that is the reason for the increase in security deposit number because we had about 50 screens opening this year, some new screen signing, combination of that has resulted an increase in that number.
- Abneesh Roy:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Chitranga Kapoor from Reliance Securities. Please go ahead.
- Chitranga Kapoor:** Thank you for taking my question. I have a question basically on your screen count and your properties. In the presentation you were mentioning that there are two properties which shut down, could you please quantify around what timelines were these property shutdown, when did this happen?
- Company Speaker:** Both of these properties were shutdown in Q4.
- Company Speaker:** During end of March.
- Ajay Bijli:** Sometime in February, one in mid February 2 and the second was in March, both these properties were shutdown in both these timeframe.
- Chitranga Kapoor:** February end, is that?
- Company Speaker:** One was in February and one was in March.
- Chitranga Kapoor:** Okay, but that does not match with your BSE filing Sir because if I look at your BSE filing on March 9, you had a property screen count of close to 469, on March 26 you had a property filing of 468 and on April 17, which is your first quarter FY 2016 essentially your property screen count is 471, so that seems to be a mismatch?
- Company Speaker:** What had happened was one of the screens was temporarily shutdown. We were in renegotiation, it was not a permanent shutdown, but then we finally took a call to close the property instead of trying to reopen it, it was shutdown for some work and that is the reason the moment we kind of shut it down, we reduced the property screen count number, it was



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operational till end of March and it was temporarily shutdown for some event and then we took a call to permanently shutdown in April, whereas (unclear-11.35) Bokaro also and then other property got opened in April 17, a three screen property in Bokaro.

Chitranga Kapoor: Correct, so that Bokaro property if I add to your March 26 filing, which is 468 plus 3 is 471, so that matches, but you are saying at the end of fiscal year, the presentation says the March 31, 2015, your screen count stood at 464; however, BSE filing March 26 says that your screen counts total 468, so that is where I am trying to understand?

Company Speaker: Yes it was a temporary shutdown in March and permanently shutdown in April.

Company Speaker: So between the last two dates the March 26 and the April 17 we took a call to shutdown another property, which was earlier a temporary shutdown and then finally we took a call to shutdown it permanently, so hence there is a gap of four screens.

Company Speaker: We were in a negotiation with the developer for reduction of the overall commercial finally it did not happen, so we took a call to permanently shut it down in April.

Chitranga Kapoor: So what I have understood now is you are saying that between March 26 to March 31, there was a temporary shutdown is that is the reason why on April 17 when your new screen opened you did not reported to the filing to BSE and then you decided to shut it down, so basically effectively it is between the last four days of financial year the screen got shutdown correct?

Company Speaker: Correct and also see normally what happens is we are running so many screens and some of the properties are temporarily shutdown for various events, which we do not end up reporting simply because that is the nature of the business, so we have a property in Ahmedabad, it is temporarily shutdown right now simply because the mall is renovating, it will open after three to four months, now we do not report temporary shutdowns because they are normal business events in the ongoing course of our business, only when there is a permanent shutdown, which happens we will end up reporting.

Chitranga Kapoor: Sir temporary shutdown I understand you are not reporting, but again you had two properties, which got shutdown one you are saying in February end, one your are saying in end of March, so one property, which got shutdown in February I believe that was a Rajkot property?

Company Speaker: Correct.



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- Chitranga Kapoor:** Right, so that Rajkot property was a permanent shutdown, it was a not temporary shutdown then why not report that?
- Company Speaker:** The settlement happened on March 31 that is the reason. The settlement with the developer for giving over the handover of the property converted from March 31.
- Chitranga Kapoor:** My second question actually pertains to one this financial year you opened your two screens in Hyderabad, which in an existing property, which actually was opened in FY 2006 correct?
- Company Speaker:** That is right.
- Chitranga Kapoor:** So why there was a delay of about seven to eight years to expand the property to its full potential?
- Company Speaker:** There were licensing issues, the mall guy had to do lot of stuff because of which the license did not eventually come through and the property did not get enough permission to open the full five screens, once we renegotiated the lease this time around we forced the mall guy to do all the firefighting and all the relevant works whatever was required to be done by him and as a result of which we got the final license to open the screen.
- Company Speaker:** That took a long, long time to get those. That is what it happens because we are joint and hit with the mall, so mall operator also has to comply with all the building bylaws and everything.
- Chitranga Kapoor:** So follow up on that how many properties which are pending in your end because of these licensing issues and mall issues?
- Company Speaker:** We have almost three properties currently, which are awaiting licenses, but have been ready for sometime.
- Chitranga Kapoor:** Three properties and number of screen Sir?
- Company Speaker:** About 13 screens.
- Chitranga Kapoor:** 13 screens and this would be in tier 2 cities or in the metros?
- Company Speaker:** One is in Chennai, one is in Mysore and one is in Pathankot.



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Chitranga Kapoor: Chennai, Mysore and Pathankot okay. Final question Sir on the entertainment tax, what is the entertainment tax currently?

Company Speaker: It is around 23% of net ticket sales.

Chitranga Kapoor: On the gross level, on the net level?

Company Speaker: On the gross level it could be around 20 odd percent.

Chitranga Kapoor: 20 odd percent, Sir there was always long time back about government surcharge increase per tickets hold from Rs.6 to Rs.14 has that come into effect or it is still taking time?

Company Speaker: That is not a surcharge that was a benefit given to the service charge for maintenance of theatre. That came into effect last year.

Chitranga Kapoor: Correct, it has taken into effect?

Company Speaker: That is right.

Chitranga Kapoor: All right, thank you that is all from my end.

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

Jai Doshi: Good afternoon and thanks for the opportunity. My first question is your Rajkot property if I understand correctly was doing fairly well, so was it a decision from your end to shutdown the property or was it something else?

Company Speaker: Rajkot the situation was that the whole property was sold out to a third party guy and our lease was coming to an end and the gentleman they wanted to do something else. He wanted to do a residential building. The mall was completely empty. He was not willing to provide any services to the cinema, so finally we ended up reaching a financial compromise and took a call to shutdown the property because the cinema could not operate in absence of any services being provided and our lease was already coming to an end.

Jai Doshi: So typically developers legally the contract permits them or allows them to kind of request multiplexes to move out, is that legal?

Company Speaker: We did a financial settlement and we compensated for the early closure and that is the reason how we moved out.



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- Jai Doshi:** So is that slowing in P&L or it is a balance sheet adjustment?
- Company Speaker:** It is showing partly in the P&L, partly in the balance sheet because we had to write off some of the existing assets, which were deployed and the balance compensate, so the overall compensation that he has paid and the difference thereon is reflected in the P&L.
- Jai Doshi:** And if you could give us a sense of you know generally in such scenario are we fully compensated for the loss of capex that we would have done?
- Company Speaker:** There is no specific mention in that it is a mutual negotiation with the party at that point of time, this case being peculiar because we were discussing a pretermination of lease before the lease expiry date, so we are only about 12, 18 months left for the lease to expire, so it is what you end up mutually negotiating. There is no provision as such.
- Jai Doshi:** Go it and what about other contracts that you would have across countries, I mean are the regulations similar or a state level?
- Ajay Bijli:** Lease once registered is valid for the entire duration of the lease, the developer has no right to terminate the lease premature, even in this specific case we had no right to terminate, but we realized we are better off just shutting down the property then running it inefficiently with lack of fire and safety and security and that is the reason we took that call to shutdown early we are anywhere 12 to 18 months left.
- Company Speaker:** As such we compensated that out of the EBITDA.
- Jai Doshi:** Understood, my question was more from perspective of that can similar situation, I mean can that be more such cases in future and whether do developers have that legal?
- Company Speaker:** The developers not have a legal right because all leasers have registered. They cannot evict us from any profit.
- Jai Doshi:** Fair point thanks. The second is when you look at the acquisition, what is the return of equity or return on invested capital or EBITDA threshold that you kind of have internal benchmark that you would not cross or what do you define expensive and how do you define reasonable valuation or expensive?
- Company Speaker:** There is no specific criterion as such. I think only and the most important thing that we kind of focussed on an acquisition is the really the longtime potential of our NIM of that assets. We are less worried about what the asset is doing currently, we believe in the long term potential of the asset and I think the broad way to look at it to say that it should be we are at



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a listed company as long as that it is trading similar to or lower than what we are trading it we are fine. If we believe the long term potential is to generate a higher return from that asset over a period of time.

Jai Doshi:

My point here is you are trading at a certain multiple PVR stock today trading at a certain multiple because of the pipeline or visibility that investors have on growth. Now, if a company acquires another company let us say if PVR hypothetically acquires another company today where the visibility of pipeline is low then that company does not deserve a similar multiple. Some of your peers have acquired other multiplexes at valuation which are difficult to justify and this is a common question that usually comes up at what price you feel if you can provide some more color in terms of objectively?

Company Speaker:

I do not think we can share any specific. We have a large independent board which kind of looks through all the parameters. Financial criteria is just one of the parameters, but in the overall lifecycle of the company, there are a lot of other strategic imperatives, which need to be factored into account. So, I do not think I have a specific answer on ROE or ROCE that we are kind of looking for in this forum. I think as and when we do an acquisition specifically and we kind of then we will be happy to talk to the markets and share our broad rational or thoughts around it, but it is combination of multiple things that goes into account while we look at any acquisition opportunities.

Jai Doshi:

Thanks and last thing how confident are you? You mentioned about 60 screen additions in FY2016, so how confident of are you achieving this number and similar number or may be a higher number for the next one or two years based on the visibility you have today?

Company Speaker:

We did opening close to 50 screens that is what we did last year and so all these screens that we mentioned all under fit out and I mean our own people are fitting them out the handle over all got received in about 50% to 60% of them and 40%, the malls are all ready and handover is going to happen very shortly. So, we are pretty confident that all ready but at the end of the financial year and that is why we have given this number.

Jai Doshi:

I think previous two years you have been adding 60 screens in FY2015 it ended with 50 screen kind of number. So I was wondering if it is slowing down if the pipeline that you have over the next three, four years, is it going to be like 50 screens, 55 screens or you are comfortable that you can cross that 60, 65 mark? Is it a pipeline issue or just a timing thing between the year?

Company Speaker:

It is timing. One is the fit out period and one is the malls are being ready and some of it is licenses, so we just mentioned in the previous question that we already have 13 screens,



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already completely fit it out and awaiting licenses, so it will add back to 50, we are again back to 63 that we would have opened last year itself. So these are the ready for about over a year now. So similarly, we are very confident that the number can be anything between 60 and 70 and there is no slowdown, because we have already signed up a lot of good location, there is a whole business is about signing good location. We have good mall operators, who are building malls in good locations, they are tenanted and they have the funds, so we are pretty confident about this kind of rollout.

Jai Doshi: Thank you so much and all the best for the coming quarter.

Moderator: Thank you. The next question is from the line of Amit Kumar from Investec. Please go ahead.

Amit Kumar: Thank you so much for the opportunity, team. Just one question at my end again sort of belaboring this point a bit, so I apologize for that, but leaving out the legal obligations with respect to a mall developer/operator. Our discussion with the industry sort of indicates that there are a couple of such malls where couple of tenants are there, multiplex probably a Food Court is operating etc., etc., but general occupancy levels are fairly weak just about 40%, 50%, 60% and there is financially in the long run there is no sort of logic of continuing with those malls. So not a looking at one year guidance, but from three to five year perspective out of the existing 100 plus properties do you have. Roughly where all do you believe that there could be this kind of recurring shut down in future as well?

Company Speaker: You are talking about the property which are operational or which are in the pipeline?

Amit Kumar: In the pipeline we will see how it sort of goes in the future, but I am saying of the operational properties, where all do you have these kind of issues where the mall developers/operator is a sort of itself struggling and as and when the lease period sort of runs out they would little look to redevelop it essentially shut down the mall and redevelop it either as a residential or a commercial property? What is roughly the risk factor or how many properties that kind of risk factor is there?

Company Speaker: If you look at PVR started its first multiplex in 1997. So it has already been about what 18 years. So probably see there are certain malls which may have opened long ago, there could be a possibility of one or two malls which may be having problems because of becoming obsolete because the new mall has come. Having said that the first three, four that we have opened and still operating, in fact MGF is one of the fifth property or something that we opened in Bangalore, Koramangala is the sixth property that we opened and it is going from strength-to-strength. In few one or two catchments of pocket some cities it could happen,



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but overall we try to do a lot of homework before we sign any property to see that it can stand a test of time and the mall operator has got the ability to keep churning tenants and keep spending money in the mall to revive it. So, I do not think there is a very insignificant if one or two properties here and there close down, but not much nothing to be alarmed about.

Amit Kumar: Alright that is it. Thank you so much.

Moderator: Thank you. The next question is from the line of Avinash Agarwal from Sundaram Mutual Fund. Please go ahead.

Avinash Agarwal: Good afternoon Sir. Just a question on this bowling alley, how many lanes do we have right now and are there any plan to expand this?

Company Speaker: We have certain 135-odd lanes presently and we have presently one center which is temporarily shut down and we do not plan to expand this business. We are focussing on the exhibition business, so we have taken a call not to expand the bowling and the restaurant business.

Company Speaker: Although I mean this year the business all the centers are doing well. We have reported about I think it is more than 20% EBITDA margin on the bowling business, but the focus really of the entire company is more on exhibition now and these are just an allied business, which is there and we have got some great deals from the developers and so we are not looking at expanding this business.

Avinash Agarwal: Sir any plans to sell off this business or shut it down because you had two years whereas it has made marginal losses for us and it is not really adding any value in terms of the business that we are currently running, so any thoughts on that?

Company Speaker: Actually it is not made any losses, just to correct the business has not lost money single from the year we setup. It generated about Rs.12 Crores EBITDA for us this year and it is all cash, so it is a cash generating business, there is no reason for us to even consider shutting it down and it is a self sustaining business, it generates a positive cash flow as far as we are concerned and some of the locations, it adds a great entertainment quotient to the mall, so that was the whole idea that where we feel that the mall needs some thing to compliment the cinema business, needs more entertainment activity we should open these and even now if we do find a location which is very good which ticks all the boxes and we get the right attendance, right deal from the landlord, rental terms and everything we will open it, but otherwise we are not aggressively expanding it because it is very difficult to do



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cinema business, it is a different type of business which is like a sports spa type business where every unit must make money and it is not something that is, definitely you need scale, you do not need to have scale in this business.

Avinash Agarwal: So these losses that this other segment is reporting is probably coming from the restaurant business?

Company Speaker: Yes, that is right.

Avinash Agarwal: So any plans to shut that down Sir, one or two restaurants that we have right now?

Company Speaker: Yes, we have plans to turn them around by either subleasing it to a professional restaurant operator or getting in to some management but definitely we would not let it continue to bleed, again it is a non-core activity for us and we really want to focus on exhibition business.

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

Naval Seth: Thanks for the opportunity Sir, I have two questions first would be on the ad growth, we have delivered 18% ad revenue growth despite a weak content pipeline, so was that backed by the long-term contracts and looking at the weak performance at the box office will advertiser take a cautious call that from next time would not enter in to long-term contracts and can that hamper our long-term growth?

Company Speaker: To answer your second question first, no, it would not, simply because there are lot of things which are happening within the cinema space specifically in terms of media, media is gaining respect and position within the market, we are not getting even FMCG brands which were completely cinema averse and they are large tenders as you know, they have already started to come to cinema so starting from Lever to P&G to Kotak they are all sort of right there now, so clearly the space seems to be very buoyant and when compared to other media I think this medium gives numbers and value to the advertiser. Now, coming to your first question Q4 we could record an 18% growth simply because yes you are right we had some long-term deals, also we had a couple of films which we had promoted a film at a cost in a big number which was the MSG which actually helped us to bump up our sales revenue, so we had a strong contract with certain agencies and clients and also this particular film helped us a lot to be able to cover up on our target.



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- Naval Seth:** Is that the only one off or will that continue going forward also or has that happened in the past as well, the way you have done it?
- Company Speaker:** In the past every time we do sort of work very closely with the film industry and as I said the market is opening up, we are getting newer, bigger clients to look at this space and this growth seems to be very well insured for the next few years.
- Naval Seth:** My second question pertains to the acquisition part, there have been news articles lot of many times earlier it was some Sathyam Cinema, now DT Cinema, so my question pertains to what would be the threshold limit for the promoter holding to go down we are at currently 29-30% and what is the limit where we can go to, is that 20%, 25%?
- Company Speaker:** I think first of all we have to look at the merits of the deal and every deal is different and I guess what is good for the company will have to be taken in to consideration, so we have to probably balance the account, look at the deal first and obviously not go below a threshold level which is uncomfortable for the promoter to run the business as well.
- Company Speaker:** I think at least a minimum shareholding of 25.1% which gives promoters (inaudible-35.08) that is what we will kind of ideally maintain but I think it will be more driven by the specific situation and what is best for all shareholder, so that is the approach we would want to take.
- Moderator:** The next question is from the line of Rohit Dokania from IDFC Securities, please go ahead.
- Rohit Dokania:** Hi Sir, good afternoon, thanks for the call, I joined a bit late, (unclear-35.40) just wanted to understand, I believe, there is a sequential drop in rental expense and depreciation expenses, could you just explain that?
- Company Speaker:** As far as rental is concerned we have certain deals which are linked to revenue share as well, so there is a drop in revenue because of the bad box office in Q4, it gets reflected in the rentals as well and there is quarter-on-quarter drop in the rental. Depreciation I think the big reason in last Q4 last year when we kind of provided for the amortization of entire goodwill after the merger with Cinemax was complete the status got spread over the fourth quarter.
- Moderator:** The next question is from the line of Urvil Bhat from IIFL, please go ahead.
- Urvil Bhat:** Sir, can you just provide some update on PVR market share of India's box office collection, I think it was around 30-35% for Hollywood and 20-22% for Bollywood movies, so just wanted to understand whether this has changed in FY 2015 after new screen additions and



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where do you see this number going in next two, three years as we add more number of screens?

Company Speaker: We have not quite honestly tracked it by month on month but I think it is broadly in the same range of what it was I think for local Hindi content the ratio varies anything between 17-22-23%, depending upon the film and for Hollywood films it varies between 30-35%.

Urvil Bhat: Where do you see this since next three years if you add another 150 screens, do you plan to add, where do you see this number going?

Company Speaker: It is very difficult to comment simply because we do not know how the industry will grow, so I can only talk about mine but the related shares will be a function of how industry growth pans out and what our competition also ends up opening, so it is very difficult to comment at this point of time on where this number will be going.

Company Speaker: It will roughly probably remain the same.

Moderator: The next question is from the line of Niket Shah Motilal Oswal Securities Ltd, please go ahead.

Niket Shah: I just had couple of questions, one is that as far as advertisement is concerned in this quarter would it be same to assume that we would have seen growth in terms of volumes as well as in terms of pricing?

Company Speaker: Actually the overall sales would go up in the first quarter, however some will come out of value and some out of volume.

Niket Shah: Would it be possible to give a broad sense about how would our top 10 multiplexes contributed this year and what would be their total contribution to overall company perspective from sales perspective?

Company Speaker: Top Cinemas will always be over performing, we cannot share any specific numbers or contribution from top 10 versus the rest, it has always worked as a portfolio but basically their proportion would not change this year as well. Their proportion to the overall revenues would remain the same. In the bad year as well they would still contribute. It is not that the top cinemas has suffered less and other cinemas have suffered more, I think broadly that ratio has remained consistent over a period of time and top 20-25% of the portfolio will contribute higher numbers to box office as compared to the average median portfolio and the low performance portfolio so that is true like any other business.



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- Niket Shah:** In the last concall also you guys had just highlighted about a lot of activity that was clearly going as per the F&B is concerned because during the blockbuster movie you tend to see a lot of crowd near the F&B counters and most of them tend to, the complete monetization might not be happening so any update on that or anything that you are doing in that regard?
- Company Speaker:** Actually lots of it, you may have also observed that we are now going to the consumer rather than waiting for the consumer to come to us, we are also opening technically we reach out to the consumer even inside the auditorium something that was not very much prevalent a couple of years back, number one, number two, we have also seen how we could sort of defray some amount of crowd from the main concession in to other kiosk areas and other F&B options that is now available, we look at choice, we look at pricing and we look at quality, we look at service to the customer in a manner that within a certain time we are able to cater to more and more people, that is quite evident by the way we have been able to increase our strike rate which is really how we increase our volume rather than just by increasing the prices of F&B.
- Moderator:** The next question is from the line of Jagdish Bhanushali from Florintree Advisors, please go ahead.
- Jagdish Bhanushali:** I just missed couple of minutes joining the call, I wanted to confirm exactly how does the content pipeline look vis-à-vis previous year that FY 2015 and FY 2014?
- Company Speaker:** This year there are lots of blockbuster movies that are coming. We have already had, the good thing is not just big movies are doing well but even what you call sleeper hits are doing well, Tanu Weds Manu by no stretch of imagination was a very big movie but it is going to end up doing over 100 Crores of business. We have Dil Dhadkane Do which is coming in June, we have another big movie called ABCD2 which is Varun Dhawan which is looking big. We have lot of Hollywood films as well this year Jurassic World is coming in June itself, then going forward we have the Salman movie Bhajrangi Bhaijaan is coming, then we have another big one, we have MI5, we have James Bond, Star Trek and what is also very encouraging is the fact that the regional content is really looking brilliant, some of the Punjabi films, Tamil, Telugu and Malayalam films are looking very, very, good we have got some big stars and production values of those films are looking brilliant which clearly means that there is a huge amount of optimism around these films. Also the 3D content this year is kind of 50% more than what we got last year and these are iconic 3D films which was shot on 3D rather than just being converted, so overall the pipeline looks very good.



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- Jagdish Bhanushali:** Would it be in terms of growth if you want to just give a ballpark number in terms of content how the growth is vis-à-vis month on month of year-on-year how would that be, could you put out some number?
- Company Speaker:** We would not like to give any estimates or numbers on the growth, I think it will kind of as the quarter goes along I think you will see some of that getting visible in the number, we cannot put a specific number to it.
- Jagdish Bhanushali:** Would the exhibition be there are like the exhibition numbers be higher than FY 2015?
- Company Speaker:** Yes, they will be higher.
- Moderator:** The next question is from the line of Jai Doshi from Kotak Securities, please go ahead.
- Jai Doshi:** I wanted to understand how you have seen growth for Hollywood movies in terms of box office growth or foot fall growth on a like-to-like basis, is that revenue stream growing significantly faster for you guys and how do you see that evolve?
- Company Speaker:** I think Hollywood really got its act together this year, I think they have realized that they have to make movies which are event movies are tent full movies which actually go out to the whole world rather than just making something for the domestic audiences, even domestic audiences obviously like these blockbuster films which are meant for the big screen, but I think the way the movies are coming up this year, already two very strong franchises came Avengers 2, Fast and the Furious, Mission Impossible is coming, there is Jurassic Park, Terminator, then you have the James Bond movie coming, Fantastic Four coming, so I think the big blockbusters we make them bigger even an IMAX when they get played, so I think Hollywood collection is looking very good such that they are dubbing these movies in different languages and these movies can easily be played in smaller towns also, tier 2, tier 3, so I am finding the share as a percentage of Hollywood increasing at least for (inaudible-46.24) even overall this year. So overall contribution I think in the first quarter alone if you look at, Hollywood growth has been superb as compared to what it was a year ago and I think with all the new bigs and the releasing we think Hollywood potential for growth will be fairly higher this year.
- Jai Doshi:** From a slightly medium term perspective where do you see Hollywood as a percentage of your overall revenues maybe three years from now?
- Company Speaker:** I think ultimately the way it is evolving we are adding a couple of percentage points every year between Hollywood and regional content as we expand to newer markets regional is



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another stuff which is gaining traction. As of now, we are almost 17-18% of our revenue comes from Hollywood, a similar number comes from regional content and I think ultimately over the next three to five years we think bollywood would contribute about 55% and regional should really go up as we kind of move up and Hollywood in absolute terms will continue to grow but I do not think Hollywood contribution will become one-third of our business that is unlikely but Hollywood could potentially be 20-21-22% of the overall revenues at some stage.

Jai Doshi: Your film hire cost for Hollywood at overall portfolio level will be similar to bollywood?

Company Speaker: Largely similar.

Jai Doshi: Likewise even for regional it is similar.

Company Speaker: Regional cinema is lower than Hollywood as well as the Indi content.

Moderator: As there are no further questions from the participants I now hand the conference over to the management for their closing comments.

Company Speaker: I would just like to thank everyone for taking out time for the call and if you have any followup questions you can write to me or Saurab and I will be happy to answer this.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.