“PVR Limited 4QFY2018 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to PVR Limited 4QFY2018 Results Conference Call hosted by Ambit Capital. 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 the 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. Abhishek Ranganathan from Ambit Capital. Thank you and over to your Sir!

Abhishek R: Good evening to everybody. I thank the management of PVR for granting this opportunity to host this call. The management here is represented today by Mr. Gautam Dutta, CEO, Mr. Kamal Gianchandani CEO, PVR Pictures & Chief Business Planning and Strategy, Mr. Nitin Sood, Group CFO and Mr. Rahul Gautam, VP Finance. I will hand it over to the management for opening remarks. Thank you very much.

Gautam Dutta: Thanks Abhishek. Thank you everyone for taking out time for this call. I will give a brief snapshot on the quarter numbers then we can all get into Q&A. Consolidated revenues for the quarter were Rs.592 Crores as compared to Rs.500 Crores during the corresponding period of last year, which were up by 19%. Consolidated EBITDA for the quarter was Rs.102 Crores, which is up by 60% as compared to Rs.64 Crores in 4Q of last year. EBITDA margin for the quarter was 17.2%, but we close the year with EBITDA margin of 18.3% for the company.

On an overall basis, the consolidated PAT for the quarter was Rs.26 Crores as compared to almost no profit in the corresponding 4Q of last year. We have closed this financial year with a total topline of Rs.2,365 Crores, which is up by 8% as compared to last year and consolidated EBITDA for the year at Rs.433 Crores, which is up by 15% and PAT of Rs.124 Crores, which is up by 29%. During this year we have added about 49 new screens in various parts of the country. The screen rollout pipeline is fairly robust right now, we have been advanced stage of fit outs of several screens during the last few months. We have almost 23 screens, which have been ready for opening, but unfortunately could not open this year due to last minute licensing issues and some real estate developers not ready with their shopping mall developments and considering that we have a rollover of some of the screen shifting to this year I think the pipeline for this year is looking very, very robust. We have almost 90 plus screens expected to open this year, 23 already ready to open, 53 screens, which are in advanced stage of fit outs should be ready in the next five to six months.

Another 50 to 60 screens, which we are getting handed over of and we expect some of those screens will open by 4Q of this year, so extremely positive on the screen rollout for the year. This year also the content pipeline is looking much better as compared to last year, we have had a slightly slow box office year in the first three quarters of last year and I think our expectation is box office this year both on Hollywood and Bollywood should be much better, so looking for a good year ahead. So that broadly summarizes our numbers for the quarter and year. Happy to open the floor for Q&As now.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. Sir you mentioned regarding this screen rollout during this year, so are you also happy with the pace at which you are signing up new properties that could give us a visibility in screen addition post FY2019 as well?

Gautam Dutta: What we are seeing is a big uptake in terms of new screen and shopping mall development, which are at a planning stage, in fact in the last 12 to 18 months, we are seeing a lot of residential money, which was earlier going towards the residential developments, shifting towards commercial assets, which include retail mall developments and we are seeing retail mall development activity actually picking up in various parts of the country. So from a screen signing perspective, we are actually signing lot more screens than what we have signed in the past and we are clearly happy with the amount of new developments, which are at a planning stage right now and are likely to come up over the next three to five years.

Yogesh Kirve: Secondly on the capex, we have fairly good understanding as far as the capex for the new screens are concerned, so on top of that what could be the capex on annual basis in terms of maintenance and the modernisations, upgradations?

Nitin Sood: Annual capex this year was roughly Rs.350 Crores including the amount of money that we had to pay to DT to close the transaction and I think our capex outlook for this year is going to be higher I think should be in the range of Rs.400 Crores to Rs.450 Crores on a overall basis depending upon the new screens that we are getting for fit outs and also upgrades, renovations to the existing portfolio that we will do, so our capex outlook will be higher than what we spend this year. The other good news is if you look at our balance sheet and debt profile almost all the capex has got funded from internal accruals, there have been no change in leverage, so you can technically say we were free cash flow positive and all the capex has been funded from internal accruals.

Yogesh Kirve: Finally, quickly on any further updates or visibility regarding the government grant revenue, which we have not been recognizing, so have there been any meetings and representations with the government?

Nitin Sood: We made representations to most of the state governments in two of the states I think the association and some of the operators have also filed a writ in the respective High Court asking the government to act, but I do not think as of now there is any order, which has specifically been issued regarding refund of GST. There has been a newspaper report today, which has got published in Economic Times, but we are still verifying the authenticity of that report and till the time we actually see what the respective UP government and Rajasthan governments have issued in terms of policy it is still difficult to comment.

Yogesh Kirve: That is all from me. Thanks a lot and all the best.

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

Ankur Periwal: Congrats for a good set of numbers. To continue with the capex a bit, which you just answered Rs.400 Crores, Rs.450 Crores capex in this year, this is only for let us say 90 screen additions or there is some incremental upgradation capex as well involved in this?

Nitin Sood: Yes, it will be a mixture of both, we will be spending on renovating, upgrading our existing sites, which includes civil upgrades, technology upgrades, new format screens, apart from capex on new screens and the way the capex versus not only for screens that you are opening, but there are lot of more screens, which we go under fit out as well, so it is a combination of everything put together.

Ankur Periwal: Capex on a per screen basis remains in a similar range of what we had mentioned earlier or there are some changes?

Nitin Sood: Yes, our average capex per screen is roughly about Rs.3 Crores a screen it remains on the similar range, no big changes there.

Ankur Periwal: For this quarter as well as for this full year, ATP growth has been pretty strong, now any guidance or any thoughts over there whether we can continue such rise in ATP going ahead as well?

Nitin Sood: I think we are expecting ATP to grow with inflation that is a broad guidance, some years grow faster than other, but I think 4% to 5% ticket pricing growth is what we think will continue in a long-term basis and with the advent of more luxury formats coming in that could at some point in time also give some sort of a push to ATP.

Ankur Periwal: Sure Sir. The reason I asked that was because if I look at footfalls in absolute terms, the growth is not commensurate if I compare it even with the number of screens that we have been adding, so any specific reasons why it is not and it is not like one quarter, two quarter probably for a few years now, so just your thoughts on that, is it that probably we know the viewing experience overall has become expensive and if at all that is impacting footfalls or it is largely content driven?

Gautam Dutta: So, firstly the drop in footfall when you look at the same store is not a decline, which has been happening for years, this is something, which we have witnessed this year, the financial year, which is just finished and the year before that. The FY2015-16 was one of the best years that we had seen and that year we had grown by a big number on same-store basis as compared to the previous year. This is a cyclical business, a phenomena which is a experience not just in India, but in almost all markets. US has gone through the cycles and many other markets, even the fast developing markets like China have gone through this cycle. China was flat if you look at the last year and this year they have witnessed a very, very robust and a solid growth over the previous year. So the limited point that we are trying to make is this is a cyclical business, we are buoyant and we are confident that this year with the content line-up that we have and hopefully with the law of averages catching up, so we will see a big jump in the same-store growth. The other reason is also because India is a sort of a very peculiar country, peculiar market in the sense that there is overcapacity in certain pockets, but then there is huge amount of under capacity or negligible presence in other pockets. Even if you look at cities you would find there are certain pockets, which are highly competitive and then there are certain pockets, which have no presence of multiplexes at all. As we build more multiplexes these anomalies will get streamlined, because of these anomalies you see in certain markets we experience same store decline in admissions. But our buoyancy in business, our belief on content bouncing back, our filmmakers or colleagues and our peers that on the production side of business we remain confident that they will get their act together and they will produce bigger and better films, which will hopefully attract more people.

Ankur Periwal: That is helpful. Thanks a lot. That is it from my side.

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

Naval Seth: Thanks a lot for the opportunity Sir. I have two questions. One, what is the guidance or say target for ad growth in FY2019 and second if I understand correctly large part of the receivables are pertaining to ad revenues, is that correct, if yes then I will extend my questions?

Gautam Dutta: Yes, you are right. Large part of the receivables are from advertising, so you can extend your questions.

Naval Seth: If I look at historically last four, five or six years, your incremental ad revenues has always been higher than the receivables while this is the first year where I have seen the reverse although marginal where incremental ad revenue is Rs.50 Crores while receivable increases around Rs.54 odd Crores, so anything to highlight here it is normal for this particular year or has the trend changed?

Gautam Dutta: No that is nothing abnormal, it is just that the billing cycle during the course of the year changed because of GST, so there were some confusion and stuff like that, so that kind of delays are billing and hence collection, you would see that this would come back towards normal self this year, so there will be no change on that. Having said that you also asked for the guidance for 2018-2019 that largely I think will be on track, we have maintained close to about 15%, 20% growth and we are fairly confident that we will be able to get to that number or we are chasing that number rather in 2018-2019.

Naval Seth: As stated in the last call that because of the competitive pressure there was some kind of uneasiness on the yield increase, which did not happen in the first nine months for us, so has that now stabilized and have we started to see yield improvement?

Nitin Sood: It is a process, we are getting there. The market sooner than later once their inventory and time gets filled up would also realize that they would also need to play the value game rather than the volume game, it is a process, and it would take a few more quarters to really stabilize.

Gautam Dutta: It is a process, it could take a few more quarters to really stabilize, but nevertheless given the brand strength that we have in the market, we are fairly confident that we would be on track to deliver this growth in some form or the other.

Naval Seth: So, then is it fair to assume that large part of your 15% to 20% growth number for FY2019 would be volume driven as you are saying that you will progress towards improvement in a couple of quarters?

Gautam Dutta: No, not really, simply because the team always has intent and a target of increasing both by volume and value, when I say volume, I mean more areas of branding sponsorship beyond on-screen is being looked at, we are creating more inventory through digital format and hence this growth of 20% is leveled between both volume as well as value.

Naval Seth: Okay**.** Thanks a lot and all the best Sir.

Moderator: Thank you. The next question is from the line of Pranoy Kurian from Ambit Investments. Please go ahead.

Pranoy Kurian: Thanks for taking my question. I wanted to ask you that in your presentation you have a slide on your RoC analysis, so when it comes to your margins, I think it works out at roughly 12.5% for screens operation for two years that is your EBIT margin, so just wanted to understand what would the EBITDA margins be, so would the split for these two would be the same proportion or?

Nitin Sood: So these are EBIT margin, so you can say our EBITDA margins would be upwards of 17%, 18% for the similar portfolio.

Pranoy Kurian: Suppose if you say four years or five years the much older screens, would there be any change there in the margin profile?

Nitin Sood: Yes, I think it is difficult to classify based on years because our business is location driven, but you are right I think the profile changes depending upon markets, the profile changes depending upon years and yes as the properties get more and more mature, the margin profile gets better and better.

Pranoy Kurian: Because I was just wondering if this is 12.5% are you saying that would be the steady-state EBIT margins or is this EBIT margin probably reflecting may be a higher-than-expected capex something like that?

Nitin Sood: No, it is not reflecting a higher-than-expected capex at all, I think EBIT margin for a matured portfolio and greater than two years is a fair way to measure this, but you are right, I think if you were to further segregate it based on greater than 3, greater than 4, greater than 5, I think the margin profile would get better and better.

Pranoy Kurian: Okay fine and would there be some regional trends in this or would it be, would the metro locations have a much higher EBIT margin, could you just share that?

Nitin Sood: Not really, actually it is more I think city and location specific rather than tier-1 and tier-2, so for us I think the margin profile is broadly in a similar range and we realized I think the margin profile is really location specific rather than city or rather than a tier-1 or a tier-2 specific, that is not something that tier-3 is a very small part of the portfolio, so I would say that currently a start-up kind of a stuff, but tier-1 and tier-2 we have not seen any big difference in profile.

Pranoy Kurian: Okay fine, alright. Thanks.

Moderator Thank you. The next question is from the line of Tushar Jain from IIFL Securities. Please go ahead.

Tushar Jain: Good evening Sir. My question is on our food and beverages segment. So, recently there has been one PIL right, regarding the price regulation on food and beverages, so upon which Mumbai High Court is coming up with some regulations, so how do you see that affecting our margins?

Gautam Dutta: So first of all I would like to highlight, I think there is a lot of miscommunication in the media, you have to read the actual background of the matter, some gentleman has filed a PIL against the government asking them why he should not be allowed to carry outside food from his home when he goes to the theatre. So first of all this whole talk about regulation of food pricing and interference is completely incorrect, there is no such matters in play, so that is the limited agenda of that PIL to say people should be allowed to carry outside food from their home inside the theatre. The court has asked the government counsel to file its own response on the matter, which the government has said that we will come back and file a response on the matter. In the meanwhile, since multiplexes are an impacted community because of this, we filed an intervention application to be made a party to this suite and we filed a response on the matters in front of the court and also given our suggestions to the government on the matter. Since the matter is sub judice I would not like to want to comment on it and association would not want to go and do a media trial on this issue, but it is like akin to saying that I want to go to a restaurant, but I want to carry food from home and eat there, which is a fundamental right given in the constitution for us to conduct business, so I think this matter is pending, this PIL is pending before the court and I think it will be getting heard over the next few months and we will get to hear on the matter.

Tushar Jain: One more question regarding this – so how this OTT platforms are affecting like recently some movies have released within 50 to 60 days from the theatre release, so how do you see that as a threat?

Gautam Dutta: So India like any other maturing entertaining economy is witnessing a growth of multiple formats, multiple distribution channels and this offers very positively for film business on the whole because they have another – our filmmakers, our colleagues have another distribution channel to monetize their content, which eventually come back to the film business and it creates a positive cycle for film business because producers are empowered to make bigger and better films that is point number one. So we do not see it negatively, we see it as a positive phenomena. Secondly, you have to appreciate that for a very, very long time, historically, exhibition chains have enjoyed a window, an exclusive window over all other distribution platform, this is a model, which is sacrosanct and which has been applicable to all markets whether they are developed markets or developing markets. So, even in India if you want to watch a brand new film in a legal way, a theatre is the only place where you can come and watch a film. As far as OTT is concerned or for that matter of fact even pay television or satellite television or any other form of watching film at home or on the go is concerned you can do it only after eight weeks of a film theatrical release. So in that context you comment on film coming 60 days post its theatrical release is a fair comment, but that is something, which is acceptable to us and it allows the producers to capitalize on the marketing, which they have done while they were doing the theatrical release and you know like I mentioned earlier it creates a positive cycle, we have absolutely no problem with the way these distribution channels are evolving. We take it positively, but as far the impacts on our business is concerned negligible business, we completely disagree with this notion that OTT is impacting our occupancies in a positive or a negative way, we completely disagree with that notion.

Tushar Jain: And as far as the content cost are concerned like – so are we seeing any increase in the context cost owing to this demand from OTT and all and OTTs are producing their own content, so do they have that advantage or something?

Gautam Dutta: See as far as content cost, I am assuming you are referring to the distribution share that we share with our content partners. As you know, we work on a revenue-share model, so the cost of content impact is to the extent of a film performing well or not performing well at the box office, if it performs well of course the content partner gets a larger share of the kitty and if it does not perform well of course the content partner gets an inferior share of the box office takings but does OTT have an impact from content cost, 0 impact, but like I mentioned it improves the viability from the content creator's perspective because now the content creator has another distribution platform to exploit his or her film, which means that they can earn more for the same property, which they had created for theatrical release and for television release. Now, they have another channel to monetize the film. So, if they earn more it creates a positive cycle of them being able to invest back more in making a bigger and better film, which augurs very well for theatrical business, so there is no direct negative impact on the content cost, if at all there is an impact, it is a positive cycle which is getting created.

Tushar Jain: Okay, that is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sonal Gandhi from UBS Securities. Please go ahead.

Sonal Gandhi: Thanks for the opportunity Sir. I had one bookkeeping question why is our convenience income down 10% on a YoY basis on comparable properties.

Nitin Sood: Yes, so I think we have currently partnerships with two online aggregator and some smaller one, but our contract with BookMyShow was a long contract, which was drawn out over a five-year period and this is the last year of the contract, so one of the reasons I think towards the tail end of the contract the revenue share was not very heavily skewed in our favour and that is one of the reasons you see that the convenience fee share has been slightly marginally lower than previous financial year and last year, we also had another operator Justdial, which was contributing to the kitty and after Justdial has moved out one of the reasons also is we have not been able to find a big replacement for Justdial, so that is the reason one of the revenue streams on convenience fee is marginally lower.

Sonal Gandhi: Secondly, what would be our share in Bollywood revenues right now, in Bollywood movies?

Gautam Dutta: It will be roughly between 22% to 25% depending upon the kind of film that is releasing, but it would be broadly in that range I think for since like Padmaavat, etc., I am just looking at the numbers if you look at our box office sheet, we have done a net box office in case of Padmaavat of about Rs.75 Crores and broadly I think the business for Padmaavat has been slightly below Rs.300 Crores if I were to believe the industry reports. So that would roughly be about 25% of the overall theatrical business for the film.

Sonal Gandhi: Thank you Sir.

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

Jai Doshi: Thanks for the opportunity and good quarter, just a couple of questions from my side. So just a clarification you mentioned that capex in FY2018 was Rs.350 Crores. So is that a gross capex number or it is after adjusting for the fact that you must have received about Rs.50 Crores for PVR BluO sale also?

Nitin Sood: Yes, so it is including everything, so gross including investments that we have made. So, I would say all the capex that we have put in investing activities, etc., because we have also made similar investment ahead, etc., so I am talking about the net number after accounting for everything because like we have made a subsequent investment in iPay and we have also made some other investments, so I am just saying the total investment that has been made during the year, this also includes deposits etc., that we have paid for signing new properties capex spend on existing properties everything, so what I essentially mean is capital outlay on long-term projects.

Jai Doshi: Right and the guidance of Rs.400 Crores to Rs.450 Crores for the next year, so is this a sort of new normal that will continue at similar level? You will be at similar levels for the next two or three years?

Nitin Sood: My sense is that if the screen outlook picks up I think yes that should be the broad number because we are also hoping that the amount of screen signing that we have done and as the screen expansion activity picks up, hopefully I think the screen expansion outlook will incrementally keep improving difficult to comment, but I think we would want it to remain at that level so the screen outlook activity picks up.

Jai Doshi: Our understanding may be about two to three years back was that by FY2018 or FY2019 the company will perhaps be at a level where capex may settle or stabilize around Rs.250-odd Crores at that point of time maybe assumption was about 60-70 odd screens additions every year. Clearly see acceleration on that front which is good, but I also believe that on other hand, you are also accelerating the upgradation of your exiting circuit so just want to know whether what is the thought process behind it and what is the driving those decisions given that in the past most of your workings would have been based on the fact that screen typically needs refurbishing after eight to nine years and not in meaningful capex in the interim period. So some thought process and will this sort of settle around Rs.400 Crores, Rs.450 Crores or may be two or three years down the line this upgradation can continue it and can also cross Rs.450 Crores, Rs.500 Crores of capex per year?

Nitin Sood: I think our normal refurbishing cycle is about every six to seven years. There is no change in that cycle. Secondly, I think because we are having large portfolio so will continuously continue to reinvest in our existing portfolio of screens because what we are really finding is the payback on incremental investment on refurbished screen is exceedingly high is better actually than even the paybacks on the new screens that we are doing because once the property is getting matured the ability to kind of take up the ticket pricing, the ability to increase F&B spending advertising is significantly higher and some of the renovations that we have done recently have had a very, very positive impact so one of the reasons why we are continuously able to sustain high ticket pricing growth and F&B growth is also function of the renovation activities that we take to upgrade some of the matured properties, which has been around for a while. For example, this year has Phoenix Mill property in Mumbai is undergoing a renovation, part of the property is already start the way we are doing stage wise renovation, which will get completed in the next few months. So we are realizing I think the potential for growth in some of our existing portfolio screens are very high. When they were built 7-8 years ago to now I think the whole consumers preference is evolving. The ability to pay more on existing screens is something that we are witnessing provided we improve the experience, provided we improve the quality of seating technology, the format of screens. So my sense is all the capex on existing screens was delivered by incremental RoI, we follow the same process.

Gautam Dutta: I am just adding what Nitin said — few years back, there were not so many technology upgrade options. Now there are, so consumers now want to sort of experiment a newer technology format and the good news they are willing to also shell out more for a better technology product.

Jai Doshi: Understood so then what I understand is in that case it would it be reasonable to assume that there is upside risk to your guidance of 5% ATP growth on a CAGR basis and perhaps on the F&B side as well. So we have seen higher growth this year that can continue for three to four more years as you intent to clearly upgrade screens, is that reasonable to expect?

Gautam Dutta: That is fairly reasonable to expect because we continuously believe the revenue potential is fairly large in a country like India and there is large segment of people who are willing to pay more for a better experience.

Jai Doshi: I get you. Can you sort of help me with definitions of tier-I, tier-II and tier-III? How do you classify?

Gautam Dutta: I would say top 8 to 10 cities is what we would consider as tier-I and broadly I would say the four big metros when you look at Delhi NCR as the market, Mumbai as market, Chennai, Hyderabad, Kolkata may be Ahmedabad, Pune so some of these markets would classify as the Tier-I markets, Hyderabad which is non-metro. Top-10 cities are what we would focus in Tier-I and pretty much everything else will come in Tier-II and then there is small bracket which is tier-III. So our presence in Tier-III is relatively small right now, but I think as we grow over a period of time that will increase, but opportunity in Tier-I and Tier-

II is quite large right now because lot of pockets even in those markets are under screened and we still has huge amount of headroom for growth.

Jai Doshi: Understood Sir. Top 8 to 10 would be Tier-I and may be the next 30 or 35-odd would be Tier-II and is it reasonable to expect that may be in just 4 or 5 Tier-III based on the way you are classifying right now?

Gautam Dutta: There are a total of about 9 properties that classify in Tier-III.

Jai Doshi: Just final one, would it be possible for you to sort of give us break-up of both ATP and F&B in terms of what would be like-to-like price increases versus in case of ATP premiumization is it at all possible?

Gautam Dutta: On Tier-I, II and III?

Jai Doshi: No just at overall level at a company level?

Gautam Dutta: I did not get your questions because we do publish our same-store numbers in terms of pricing?

Jai Doshi: No, I am saying like-to-like ticket price increased in like-to-like terms versus through upgradation?

Gautam Dutta: I can give you that answer. Just to give you broad overview and that we have 58 screens, which are premium screens that we have and those warrant close to about Rs.440 ATP so double of what we operate on currently. We currently operate on Rs.209 so we are double of that on the premium screens or consolidated. Even the SPH is exactly in line with that is the double of what the company gets.

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

Moderator: Thank you. The next question is from the line of Shilpa Patnaik from JM Financial. Please go ahead.

Shilpa Patnaik: I have just one question, recently we have seen instances where the Netflix has bought international rights to certain Hollywood movies as a result of which theatrical release of those movie have not happened in places like India? Do you see this trend affecting your Hollywood revenues meaningfully?

Gautam Dutta: This is firstly not a new trend. HBO in US, who you know, which are considered to be father of cutting edge content has been producing their original films, which they released straight on HBO channels. In addition, that they have also acquired films with goes straight to televisions so this whole concept of films, which goes straight to OTT platform, has been there for many years. India has also witnessed this concept wherein part of films if gone straight to TV release or to home video release or to both at the same time. There is no impact of this because the Netflix so far is focusing on films of 10 to 15 million budgets and these are typically, I would categorize them somewhere between small budget and big budget somewhere in between these two categories. These categories are not very popular in India in many cases. We tend to go after the films which are more visual, which are larger than life. Avengers is a case in point, Jungle book is another example of such films and such films would never go straight to OTT because the whole business model of producing a big film is defeated if you do not release it theaters. So theatrical release has a snob value when producers and filmmakers release their files in theatricals is the best way to measure a success of a film and secondly the economics, the success that you get in theatrical, the upside of that is so phenomenal and so attractive that for films, which are worthy of cinematic release the business model does not permit you to release straight on OTT or television so this concept has been on for a while, but is not a new concept. We are experiencing absolutely no impact of such instances. Does it answer your questions?

Shilpa Patnaik: Yes it does. Thank you.

Moderator: The next question is from the line of Jignesh Kamani from GMO. Please go ahead.

Jignesh Kamani: It is about the RoC profile and payback period in the mature screen, if I compare in last two years compared to 4Q 2016 presentation and the current presentation, if you take EBITDA margin roughly has increased by around 200-basis points in last two years, despite that matured screen our EBIT margin has remained flat at 12.6% in last two years and RoC of mature screen has virtually deteriorated from 24% to 23%, so incrementally whatever amount we spend on refurbishment, upgradation, their payback period is much more inferior or how is the scenario?

Nitin Sood: I do not know what numbers you are comparing?

Jignesh Kamani: I am comparing number given in 4Q 2016 presentation and current presentation where you have given both revenue EBIT and RoC profile of the matured screen, definitely number of mature screens will be slightly higher this year because many new screens and it may not be complete, but if I take about direction wise?

Gautam Dutta: There are minor changes that will keep happening depending upon which part of the country we are opening screens.

Jignesh Kamani: Sir, my question is direction-wise despite increasing EBITDA margin, EBIT margins remain same then RoC has deteriorated is what I am saying?

Gautam Dutta: What has deteriorated?

Jignesh Kamani: EBIT margin in 2014 was 12.6%, which is also currently 12.6% of the matured screen despite our margin is increased by almost 200 basis points in the last two years and RoCE profile was 24% in 2016, which deteriorated to 23% right now, which directionally it should improve?

Gautam Dutta: Not really. These minor changes will keep happening depending upon which part of the country we are opening and what is the year so I think these minor changes 24 changing to 22, 22 changing to 25 will keep happening depending upon how the properties are shaping up and performing at various parts of the country. I do not think this is material change and I think it is very difficult to predict exactly, which property will do better, if there would have been material change I would not have been worried, but this is directional side, which shows that bulk of matured properties are performing well and depends upon which part of the country we open the screen rollouts, some properties will does superior margin, some will be slightly lower so we do not think it is material change.

Jignesh Kamani: But despite 200 basis point improvement in operating margin, RoC has not improved, so whatever investment you are making is not RoC accretive?

Gautam Dutta: Yes, that is true but we just started making incremental investments over the last two years so I think the payback will reflect over a period of time, bulk of the technology investments would not payback within the first year of opening so because incremental upgradation on existing screens any that we are doing is also reflected greater than two years. What is captured in less than two years are only the new properties that we opened? So yes it will take time to payback but that is the need of the business so incrementally keep upgrading to maintain the margin profile of the business.

Jignesh Kamani: Understood. Sure. Thanks a lot.

Moderator: Thank you. The next question is from the line of Neeta Khilnani from B&K Securities. Please go ahead.

Neeta Khilnani: Thank you for the opportunity. My first question was in fact that majority of the screen openings are in the south as I can see it from the presentation so I just wanted to understand from you given the ticket sizes, cap and LBT imposition in south are our RoCE, and EBIT margin different or may be lower in the South compare to the other reasons?

Gautam Dutta: Actually no. South is one of the most profitable markets in spite of, I think, ticket price cap in some states. Chennai more importantly has taken up 40% price hike this year after a long period of time. I think a big opportunity down South right now especially markets like Tamil Nadu is that screen penetration, multiplex screen penetration has been in single digit in that market right now and Tamil Nadu has 20% of all this screens in this country with less than handful of multiplexes in that market. So cinemas operate at exceedingly higher occupancy. In fact the return on capital employed metrics is the highest in that market in the country right now simply because of shear occupancies in that market.

Neeta Khilnani: Could you give us a break-up of which states will your majority of sales expansions be in?

Gautam Dutta: Out of the properties opening in South India, we have a few properties opening in Karnataka, which is in Mysore and Bengaluru and a few properties opening in Chennai. We have three properties lined up for Chennai opening this year and about two properties in Mysore, one property in Bengaluru. It is a mix of Karnataka, Hyderabad and Chennai.

Neeta Khilnani: I understood Sir and secondly enabling resolution of raising of about 1000 Crores through NCDs is it directed towards may be that you have in mind in the next two years or it is just may be some inorganic expansion or is it just for the purpose of may be some regulatory approvals?

Gautam Dutta: See as a business, we always want enabling borrowing powers and fund-raising abilities to be staying in the business and normally the way the law is that any fund raising that you need to do you, you also need to have a broad enabling approval from shareholders, so thought it is a good opportunity. We believe that I think the whole cinema business in India will consolidate further in the next couple of years and the number of smaller players will find it tougher to operate in the business and which will throw up consolidation opportunities over a period of time and PVR is the leader would want to participate or meet the opportunity on its own merit. So this enabling resolution so that we should have the flexibility to raise capital and financing as and when the need arises and I do not think you should read anything more than that into this.

Neeta Khilnani: Got is Sir. Thank you.

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

Amit Kumar: Thank you so much for the opportunity Sir. To begin just quick bookkeeping question that is another comprehensive loss of around 9 Crores in this particular quarter, what is that exactly?

Nitin Sood: We had made our investment in IPIC one of the companies in US. It recently got listed and the stock has been trading I think below the investment price, as per the accounting guideline, we just need to mark all financial instruments as mark-to-market every quarter, so I think there will be fluctuations, you will see in this other comprehensive income line on a quarter-to-quarter basis. This does not impact the earning because it is a long-term investment. We have no plans to trade on any of this investment, but that is something from my accounting guideline perspective we have to mark-to-market.

Amit Kumar: Understood Sir. Very quickly the eight-week exclusive window which you sort of signed up with Viacom18 and Yash Raj Films in the previous quarter could you give us an update on which are the studios that have incrementally signed up on that in this particular quarter?

Nitin Sood: Can you repeat your question?

Amit Kumar: Sir, this eight-week exclusive window I think you have sort of formalized this agreement with Viacom18 and Yash Raj Films that you have indicated in third quarter concall so incrementally over the last three months, which are the other studios that you have sort of signed up on this?

Nitin Sood: All films that have released in the fourth quarter have released after a written agreement of eight-week window it is now an industry practice and this will continue not just in this financial year, the financial year which has just started, but it will also continue in future.

Amit Kumar: Sir, just quick follow-up on this when we look at some of the international markets or the developed markets like Hollywood, US there is difference slightly longer, when I see France I would see a window as well and I do not think these all get there, this eight week exclusive window is good enough and very large now, but at some point of time you would want create more value for the content partners, you would want to go higher in the 10 to 13 weeks or something like that?

Gautam Dutta: We would not like to comment on our discussions with our content partners. Those are confidential, sensitive discussions, which we would like to keep between the two parties, but we have been very comfortable with the eight-week window. India as the market in that context is different from US as a market and we have to see India with the different prism or like to say that we are extremely comfortable and very, very satisfied with the eight-week window and we think it is a good win-win for both content creators as well as us, exhibitors.

Amit Kumar: Just one final point in mind, the share of Bollywood, Hollywood and regional that you give and if you can just share that for FY2017 and FY2018 please on the box office side?

Gautam Dutta: Shares for Bollywood in financial year is 59%, 15% is Hollywood and 4% is Hollywood dubbed and 22% is regional.

Amit Kumar: What was this last year?

Gautam Dutta: It was 65% for Bollywood, 3% for Hollywood, 7% for Hollywood dubbed and 25% for regional.

Amit Kumar: Can you please repeat the last number again, 65 you said?

Gautam Dutta: We will give the exact numbers, but I think this point is that your are trying to move to is this year the contribution of Hollywood films and regional films as compared to last financial year has dropped a bit. Is that the question you are trying to allude to?

Amit Kumar: No, Sir I am just trying to get the numbers that is all.

Gautam Dutta: We will just give you the exact numbers. For 2016-2017 that number is 55% for Bollywood films, 22% for Hollywood films, I am talking of in terms of exhibition, sorry I stand corrected. This is not a box office, this is the exhibition I am referring to it has come down a bit and 23% for the regional films and then I will repeat the corresponding number for 2018-2019 you got that right.

Amit Kumar: I have got that. Thank you so much for this. That is it from my side.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM Portfolio. Please go ahead.

Mayur Gathani: Thank you for the opportunity. Sir, there was some VPF dispute in the south and that impacted some business for 45 days in Tamil Nadu especially, so do we as an exhibitor have any role to play over there?

Gautam Dutta: No, this is a dispute between third party service providers and the producers, distributors of Tamil film industry, we do not have a direct role in it except to the extent that films when they gets pushed back we also indirectly get impacted but the answer to your question is we do not have a direct dispute in this matter although indirectly we are a stakeholder.

Mayur Gathani: As the matter has been resolved now because this could escalate and hit north as well or it has been sorted?

Gautam Dutta: The matter has been resolved to both parties' satisfaction and in the next one week to 10 days, you would start seeing a lot of Tamil films start releasing in Tamil Nadu and other parts of the country. The only reason that Tamil producers had not been able to kick start the release schedule is because a lot of films have bunched up and they got bundled and obviously producers have to calibrate their release dates in a manner so that films do not end up cannibalizing each other, but films will start releasing in a matter of days now. The matter has been resolved to both party's satisfaction.

Mayur Gathani: Great and you have given segment-wise numbers like F&B advertisement. Would it be possible for you to provide as to what kind of margins also you make in these?

Nitin Sood: Broadly, I think if you look at our presentation, it captures the gross margins. Our gross margins for box office are roughly about 40% upwards after paying the filmier and the payouts.

Mayur Gathani: On F&B, etc?

Nitin Sood: Roughly 50% and on F&B 75% and advertising is 90%, but we run a very large fixed cost business, so these gross margins on an independent basis has no meaning because they have to a large fixed cost, so that is the way we look at our business. We look at our business on a consolidated basis, but individual revenue streams will have an independent gross margin.

Mayur Gathani: If I look at it on the overall basis let us say if I take box office only focus on box office, the general basis what kind of an EBITDA margins would you make today even if you are making on an average?

Nitin Sood: I do not understand your question.

Mayur Gathani: I am saying on an average if you are making 17% to 18% EBITDA margins, overall if I exclude the other part, advertisements or the food and beverages, what kind of margins can you make just on the box office collections?

Gautam Dutta: We make a loss. We do not make any money.

Nitin Sood: This is the core part of our business proposition.

Mayur Gathani: Fine. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Girish Pai from Nirmal Bang Institutional Equities. Please go ahead.

Girish Pai: Thanks for the opportunity. Just had one question. This is regarding the enabling resolution to raise Rs.1000 Crores of NCD money, you mentioned that this gives you flexibility to move quickly on M&A and I remember asking you a question regarding M&A when you mentioned that there are not many attractive opportunities in the market, so has the situation changed?

Gautam Dutta: No, the situation has not changed much, but I think we are seeing a lot of smaller operators. We are seeing the pressure on lot of smaller operators to kind of grow further from here and we think that lot of smaller operators will definitely come into the market to consolidate further and then the industry will consolidate further over the next 12 to 24 months and we would get our opportunity to participate and have a look at this, so nothing specifically that has changed, but we wanted an enabling resolution because we do not want a situation to not have the flexibility to raise capital as and when the need arises.

Girish Pai: Just to follow-up on that has the valuations on some of these M&A situations is it going the DT Cinema way or is it like substantially lower than that? What is the kind of market valuation that is going on right now?

Gautam Dutta: I cannot comment on that because there is no specific transaction that we are looking at so very difficult to comment on that question.

Girish Pai: Thank you.

Moderator: Thank you. The next question is from the line of Abhishek Ranganathan from Ambit Capital. Please go ahead.

Abhishek R: I have a couple of questions. One is on the like-to-like admission, which you have referred to here, see the like-to-like admissions you said would have been at 8%, adjusting for the South issue and Padmavat not getting released? Now are you excluding these screens where

Padmavat was not screened and are you excluding the Tamil Nadu and South markets to arrive at this 8% number? How is it?

Gautam Dutta: That is right. So, if we exclude these markets and look at the rest of the country that is the way we calculate it.

Abhishek R: The last thing is that if you could break-up your renovation capex, upgradation capex, which was spent amount for upgradation capex in FY2018 of Rs.350 Crores and Rs.450 Crores how much would be the renovation capex you are looking at and Sir how many screens more importantly I want to get as how many screens have been renovated in FY2018?

Gautam Dutta: It is very difficult to put a number because I think the capex on existing screens are a bunch of things that we must do, which is technically maintenance capex and there is stuff that we do on renovation, but broadly I think our capex on new screens will be about Rs.300 Crores to Rs.325 Crores and capex on existing portfolio will be Rs.100 Crores to Rs.125 Crores, so that is the broad estimate right now, but I think as the year progresses we will take a view because sometimes the capex on existing screens is also determined by free periods that we get to shutdown properties, renovate, etc. If we find the tailwind of box office to very strong then some of the capex is deferred to leaner periods, so I think it is more opportunistic sometimes to take a view on operating the capex on operating screens.

Abhishek R: How many screens did you renovate this year and how many are you planning on renovating next year?

Gautam Dutta: About roughly 17 to 18 properties is something that we have renovated this year. I think it would be broadly a similar number or may be about 12 to 15 properties again coming up for renovation this year.

Abhishek R: So 17 properties since you are looking at something like about in the region of 50 to 60 screens is that the number of screens we have renovated?

Gautam Dutta: We have to actually calculate.

Nitin Sood: About that much yes.

Abhishek R: That is all from my side. Thank you very much.

Moderator: Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

Gautam Dutta: Thank you very much everyone for taking out time and being on the call and if you have any follow-up questions, feel free to write to me or my colleague, Rahul Gautam and we will be happy to answer them. Thank you.

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