"PVR Limited Q2 FY15 Results Conference Call"

November 03, 2014

MANAGEMENT: **MR. AJAY BIJLI – CHAIRMAN CUM MANAGING DIRECTOR, PVR LTD**
MR. SANJEEV KUMAR – JOINT MANAGING DIRECTOR, PVR LTD
MR. NITIN SOOD – CHIEF FINANCIAL OFFICER, PVR LTD

MODERATOR: **MR. SAGAR SHAH – ASSOCIATE - INSTITUTIONAL EQUITIES - MOTILAL OSWAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the PVR Q2 FY15 results conference call hosted by Motilal Oswal Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sagar Shah from Motilal Oswal Securities Limited. Thank you and over to you Mr. Shah.

Sagar Shah: Thanks, Margaret. Good afternoon everyone. We at Motilal Oswal are pleased to host 2Q FY15 results conference call for PVR Limited. We have with us from the management Mr. Ajay Bijli – Chairman & Managing Director, Mr. Sanjeev Kumar – Joint Managing Director and Mr. Nitin Sood – CFO. We will start the session with the opening remarks by the management, post which we will open the floor for the Q&A. Thank you and over to you Mr. Ajay.

Ajay Bijli: Good afternoon everyone. This is Ajay Bijali. Thanks very much for taking the time out for this call. I will give you a quick snapshot of the Q2 numbers and then we can get into the Q&A.

The consolidated revenues for the quarter ended September 30th 2014 was 400 crores roughly as compared to 367 crores during the corresponding period last year which is up by 9%. EBITDA for this quarter was 59.27 crores as against 76 crores approximately in the same period last year which is down by 22%. The tax for the quarter was 8.15 crores. The overall performance has been impacted this quarter and which has largely been due to slower box office in the first 6 months of the financial year with lots of movies underperforming and faring below expectations. The footfalls in the same stores have also fallen by about 15% as against say period last year eroding our EBITDA. However, I would like to point out that this is totally an aberration. Our business is to a large extent driven by content and therefore if the content is good, then you would see audiences flocking back to the cinemas irrespective what is happening on the macroeconomic environment scenario.

The company has performed well on all other parameters which are within our control. We have been able to increase our average ticket prices on same stores by 8% in the first half of the year. Our performance in other areas of our business primarily F&B and sponsorship continues to be our strength. F&B average spent per head on same stores grew by 20% over the same period last year on account of successful various strategic initiatives taken by the company. During the first 6 months of the financial year, we have introduced new line of F&B offerings at our cinemas. Along with new offerings, we have improved the quality of our F&B offerings. We revamped our concessions, inducing patterns to consume more at our cinemas, introducing movie brand in merchandize and new kiosk at our cinemas which has helped us improve our F&B realization. Sponsorship revenues also have showed a strong growth of 14% in the first 6 months. The early Q3 box office results have been very strong with movies like Bang Bang, Haider and Happy New Year. We lost 43 lakh admissions across comparable stores in the first 6 months of the year, but we have been able to make up to those, recoup them by about 15 lakhs admissions in the month of October alone. So the quarter is looking good. We are hoping that this sustains and we have a great Q3.

We have seen robust content pipeline in the coming months. In November, we have Shaukeens, we have Kill Dil, Happy Ending, Interstellar, Hunger Games and December we have Action Jackson, PK, Hobbit. And in addition to these mega blockbusters, there are host of other movies which are expected to do reasonably well as well. We are well aware of the fact that due to fixed costs in our business which has increased after the acquisition of Cinemax and due to any little change in the occupancies can impact the bottom-line, and we are working towards bringing this fixed cost down and you will start seeing positive results in the next 2-3 quarters.

On the expansion front, we continue to aggressively pursue rollout of new screens and in the first 7 months of the current financial year, we have opened 5 new properties with 33 screens. Currently, we operate a network of 454 screens spread over 102 properties in 43 cities across the country. We intend to add approximately 65-70 screens more in FY2014 and 2015. Thank you very much for the time again and we open the forum now for any Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Urmil Shah from MayBank. Please go ahead.

Urmil Shah: Sir, my first question is just wanted to have your comment on the content. You also attributed a poor performance of some of the movies in the first half and even if we look at Bang Bang and Happy New Year, both have seen sharp drop in collection from second week onwards and have not done that well as compared to what was as expected. So just wanted to have your comment as to are we actually seeing a change in the preference for content and should there be an impact in Q3 and Q4 as well because of the same.

Ajay Bijli: No, as I said content does play a very important role, but Q3, October has started off very well and Bang Bang on an overall basis may have not reached the number that was expecting, but in our circuit, at least. In PVR circuit, we got what we were looking for. We had a very decent weekend when it opened. Similarly Happy New Year, we have just finished our second weekend and just starting November. So that has also performed well. So overall, if you just look at the box office collections that is one thing to look at, but we also look at how these movies have performed at our cinemas. So in our cinemas whatever numbers we were looking for, in October definitely they have come and as far as last quarter is concerned, in FY14 you had some very big movies like Chennai Express and all and which performed much better than some of the movies that got released in Q2 this year which is Singham Returns and even Kick. So I think the number of movies which did exceedingly well last quarter were more than the numbers that got ultimately reported in the last quarter.

Urmil Shah: So if I got it right, at least Bang Bang and Happy New Year have done well at PVR screens. So they have been in line with your expectation?

Ajay Bijli: Yes, that is right.

Urmil Shah: Sure. So my second question was on the advertisement income. We were at the start of the year looking at a growth of 17%-18% and we have been around 14.5%-15% in first half. So I understand part of it would be driven by the footfalls as well. So should we expect a pickup in second half in line with the pickup in footfalls?

Ajay Bijli: Yes. Quarter 3 is going to be fairly big. It is the biggest quarter for us and advertising income is in line with 10 **(Inaudible) 8.41** films. So technically if you were to see the year from April to now, actually we got the first blockbuster film in October which was Bang Bang. Before that, really we did not get any big star film. So clearly the quarter 3 is looking really big for us and we hope that we will be able to get closer to that number.

Urmil Shah: So even ad income in case of the first month of this quarter, has it been in line with what you were expecting?

Ajay Bijli: Absolutely.

Nitin Sood: It has been the best month of the year as far as advertisement….

Ajay Bijli: Since inception it is the biggest month.

Urmil Shah: Sure, that was helpful. Sir and last if I may. You mentioned working towards optimization of some of the fixed costs. It would be great if you could throw some light on that.

Nitin Sood: I think if you really kind of look at what has happened on the cost, the focus is really to kind of rationalize. Now that we have a larger circuit around multitude of fixed cost and can we operate more efficiently, that includes managing our repair and maintenance ,electricity and common area maintenance cost better along with having an efficient optimum people cost as well. So I think there will be efforts directed towards managing some of these areas slightly better. We are slightly handicapped on the power cost situation in the country because power tariffs in some markets like Maharashtra have shot up by 40%-50%. So some of those costs are slightly beyond control, but whatever is within our control in terms of managing consumption better, reducing the overall electricity consumption etc., we are kind of taking a massive exercise to work towards that.

Urmil Shah: Sure and should we expect substantial impact say over the next 1 year?

Ajay Bijli: Yes. I think the impact will start reflecting in over next 2-3 quarters because some of these things will have a take. So effectively yes, you should start expecting some impact over the next 2-3 quarters.

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

Naval Seth: On the ad growth, a quarter back you were talking about some deal with HUL. So are we through with that deal or it is still under negotiation?

Ajay Bijli: The deal is very much on and we have a very unique deal with them which is Pay per eyeball plan**.** So they are one among the first customers we have got on that deal and the ads are playing all over.

Naval Seth: So that is already in the numbers in 2Q?

Ajay Bijli: Yes.

Naval Seth: And secondly on the ATP, like you said that Q3 would be a robust quarter. So can we expect ATP growing beyond 5% this year?

Ajay Bijli: No, overall average annual growth will be in that range of 5%-6%. I think the focus is to get more admissions and recoup some of the admits that we have lost in the first 6 months of the year in the later part of the year. So I think that will be the driving focus. Q2 has been exceptional ATP growth and I think our ATPs had started moving up in Q3 of last year. So the annual outlook is about 5%-6% ATP growth.

Naval Seth: And sir you added in your initial remarks, you said that you would be adding 65-70 more screens in FY15, am I right?

Nitin Sood: So now the total screen adds which is about 70 screen addition of year.

Ajay Bijli: Additional 70 screens for the whole year.

Naval Seth: So your debt position in this year would remain stable. Debt repayment would not be happening in this year?

Ajay Bijli: No. So debt repayment would not be happening. The debt will largely remain in the range of current debt because we are also doing a massive renovation across some of the prime Cinemax site and converting that into PVR. So that is part of our brand change plan apart from a routine CAPEX.

Moderator: Thank you. The next question is from the line of Sumit Chaudhary from Standard Chartered. Please go ahead.

Sumit Chaudhary: Just on the fixed cost, point you made on the fixed cost reduction which the management is targeting, if you could give us some kind of sense of the quantum or the percentage of fixed cost you are trying to reduce over the next 12 months or so?

Nitin Sood: I think slightly early, but I think effectively the idea is to kind of on a 12-month rolling basis, reduce the cost by at least 10-15 crores over the existing level where we are and that will be the ideal focus overall and work on our leaner team and as well as try and manage our power cost and local area cam and maintenance cost better. That will be the focus.

Sumit Chaudhary: And second is with the ad space and with some consolidation in the industry, it looks like more players are vying for the multiplex ad pie. So are you seeing some sort of pricing competition in the ad market when you are going to your customers?

Ajay Bijli: Yes, there is a pricing competition. There are competitions which are getting aggressive, but clearly PVR is a name to reckon with and a leader within the space. So while in the short term, we feel that there will be some competition, but over a long period of time slightly on a longer horizon, this medium technically will get more respect and stability and larger volumes of spend would flow into this medium. So from that point of view, it is a very good news because with the emergence of every play while short term, they are discounting more and filling up their inventory, but reality is slightly longer term it would mean that this medium would be recognized more strongly.

Sumit Chaudhary: And then does that mean that your ad revenue growth rates could come off significantly from the mid teens to high teens that we have been seeing for some time now?

Ajay Bijli: I think our same store growth will remain in double digit at least in the next 12-24 months. We do not see a reduction in that happening. But clearly I think last year was an aberration because of the synergies that we drive from Cinemax. And this year I think the guidance that we gave about 15%-17% overall ad revenue growth will sustain. I think so we are not worried on that front.

Sumit Chaudhary: Fair enough. And just the last question, just coming back to the consolidation in the industry, I guess given your market leaders, obviously as more players if any players are up for sale, they would come to you. So when the management evaluates these acquisitions, what kind of criteria would you keep in mind in terms of will you look at growth alone or will you look at EPS enhancement, ROE enhancement. What exactly would you keep in mind when you evaluate in acquisitions if at all?

Ajay Bijli2: I think we definitely look at the underlying asset, the quality of the asset and at what valuation that asset is available. I think it has to be value-accretive. So after the consolidation, it must overall enhance all the ratios. I think growth for the heck of it does not make sense. It has to be the right value. The asset is coming at and the asset must be of a certain quality and standard. If these two things do not happen, then we are not looking at any consolidation. But yes, consolidation in organic growth is important, but as I said, those two criterias have to be met.

Sumit Chaudhary: So it has to be, if I understand right value-accretive and it has to be a good fit in terms of it should not be like a mix of multiplex and single screens kind of photo. It should be a pure multiplex with potential to add value in terms of…

Ajay Bijli: That is right.

Nitin Sood: See, more importantly I think what we are buying has to be future proof. Ultimately, historical earnings is one test, but I think future earning potential is the real test of the asset because we are buying for future, not for the past. And I think that is the keen very decision that we make and ultimately I think you cannot expect an organic acquisition to on day one start improving your ROEs because the price went up paying will be higher than your organic asset, but I think over a period of time it has to deliver accretive earning. It has to change the landscape and a market position for us. So clearly it has to be earnings accretive for the organization.

Sumit Chaudhary: But any IRR which you target when you would look at these kind of..

Ajay Bijli: I think IRRs will be upwards of 15% for inorganic, but ultimately they have to look at over a longer period of time because normally I think there is a combination of things that inorganic acquisition will deliver to you. Apart from sheer earnings on that asset itself, the integration synergies, your ability for further deal making in the market place because of your own leverage, elimination of competition. So some of these factors added together has also delivered significant IRR for all our shareholders.

Moderator: Thank you. The next question is from the line of Gaurav Maheshwari from Unilazer Ventures. Please go ahead.

Gaurav Maheshwari: My first question pertains to this board resolution of issuing entity. So is it more of a replacement of the existing debt or is it a new fund raise that we are planning through the NCD route.

Ajay Bijli: So it is a combination of both. So the idea is we have taken enabling resolution for a QIP last quarter which is enablement for an equity raise if we were to pursue in an organic opportunity tomorrow. NCD resolution is also similarly an enabling resolution to help us raise debt in future because as per the recent changes, NCD guidelines need to take a shareholder approval as well separately for raising any debt instruments by way of NCD. So both of these are enabling resolution which helps us tomorrow to raise money at a quick timeframe. So I would count then more as enabling resolutions. Also to give you an update, we have also done some bit of refinancing recently with public market NCDs and we have refinanced about 150 crores of debt through long-term papers with 7-year money from public market NCDs at a price of about 11% which has helped us to reduce our cost by another 50-75 bps.

Gaurav Maheshwari: So we expect our interest cost to come down to around 12% for this year or lower than that.

Ajay Bijli: Much lower than that. Our interest cost is already lower than 12% now. I think the average is about closer to 11.5. I think over the next 12-24 months, it should come down even further as we get opportunities to refinance further debt.

Gaurav Maheshwari: And since you have taken enabling resolution both for NCD as well as the equity, so it could be going ahead with both of them raising as high as 1,000 crores or depending upon the situation it could be only raising debt or it could be a mix of both.

Ajay Bijli: As I said, these are enabling resolutions. There is no plan immediately to raise either equity or debt, but I think depending upon what we see in the market place as an opportunity, we will take a call at that point of time depending upon how much money we need, what are we looking for. These are just enabling resolutions.

Gaurav Maheshwari: My second question pertains to if you just leave the results aside and if you just take a 3-year view, where do you see PVR in terms of the overall number of screens not just the organic part, but also including the inorganic part. What is your vision to reach 1,000 screens by in 3 years' time or what exactly are you looking at in that perspective?

Nitin Sood: Now if you look at our organic rollout, our organic rollout is about 70-80 screens. We already have close to about 100 screens already under fit out and another 50 odd under planning. So if you look at just the organic part, we will add about 70-80 screens in India given the pace of overall real estate sector and our own phase. But inorganically, anything can happen. As I said in the earlier question if it is a right fit and it is a right valuation, we are not going to go for growth for the heck of it, but if the right fit comes in and the right price fit comes in, we can go for inorganic growth as well and that can add anything. That can add another 50, 100, 150 odd screens to the overall kitty of the normal organic anyway. So we are sitting in 2015 let us say. Even if we add 100 every year, we are talking about at least 800 odd screens can open by 2018 and one or two inorganic opportunities can take us close to that number of number of screens, but as I said earlier that every screen is important to us. It has to be a profitable screen, it has to add value, it has to be value-accretive and it cannot be just growth for the heck of fit. So that is the kind of broad number that we have got.

Gaurav Maheshwari: And my next question is basically in terms of the ATPs, so do we expect a further ATP growth in the same range over the next few years or would it be more subsided and it is like a one-off because you also rebranding Cinemax to PVR. So the second question also pertains to with

Cinemax, the brand will cease to exist and it will be more of a PVR which will drive the ATPs further.

Ajay Bijli: ATPs as expected are supposed to be growing at a rate of about 4%-5% and I think we are going to be keeping to that growth pace. ATP also is a huge driver for footfall. So technically we do not want to sort of increase ATPs in a manner that begins to effect footfalls. So they always need to be seen in relation to the footfalls that you gone up. Largely it is Cinemax and PVR, both chain would see what is the maximum potential of a certain market in location are and this is not only pertaining to PVR Cinemas. To your question, even Cinemax wherever possible looking at the inflation and the socioeconomic index, wherever possible we keep looking at tweaking the ATPs to get the maximum footfalls.

Gaurav Maheshwari: My last question pertains to the GST. So whatever benefit comes in, Mr. Nitin explained in the last con-call as well on the entire thing. So would we passing on, we will retain that**.** What is the overall thought process on that?

Nitin Sood: So as I mentioned, see pricing part in the market is a function of what consumer is willing to pay and what is the quality of product and offering. I think you not bothered by what the rate of tax in a particular status. So because I pay 60% entertainment tax in Uttar Pradesh, that is not the reason a consumer will end up paying the 60% premium over my ticket price. So as I said, I think tax is only internal to the organization and a consumer will pay what he feels the fair price to pay. So I think the pricing metric in the market will get determined by really demand and supply rather than what the tax structure is.

Moderator: Thank you. The next question is from the line of Prince Poddar from UBS. Please go ahead.

Prince Poddar: Sir few questions from my side sir. One is for last few quarters, the company has been putting stress on the fact that we want to increase utilization over the week days. So like in the investors update also, there is something called weekend starts from Thursday. So are these kinds of promotions doing any help in increasing utilization on the week days?

Ajay Bijli: Clearly, if you look at the split between week days and weekend, we are technically at 50-50 now. So clearly with pricing and with promotional schemes in place, we have managed to drive footfall across all brands because the deeper you understand the location, the cinema and the consumer within a radius of 5 km, the better you are able to sort of derive out of the footfall and our entire team at the cinema, we have made a quasi-signs now to understand at what juncture, at what price point do we get the maximum footfalls and that exactly what is in play nowadays.

Prince Poddar: So basically you will be expecting more mix towards week day kind of going ahead.

Ajay Bijli: Yes, we see a lot of potential because there is huge amount of capacity still and we believe that if we sort of play on the right promotional and the pricing power, we should be able to keep working on it and see some good results on that area.

Prince Poddar: Okay sir. Second question is on the food & beverage spend which is as a percentage of total revenue at 18% now versus may be 30-40% for players in developed markets. So do you think this percentage of share can increase in a strong way going ahead in 3-4 years? And what is your view on the spend per head also which is growing very strong currently. Is that sustainable?

Nitin Sood: So if you look at over the year, the way we measure our businesses, what is the spent per head in relation to the ticket price**.** That ratio used to be close to 29%-30% till about couple of years back. I think we have already moved to 35% over the last 2 years. Most of the Asia and rest of the world is closer to that number, 30%-33%. US is significantly higher at 40-42%. We clearly believe the potential in India is significantly higher simply because we have a unique concept of an interwork and we get that extra time to kind of service the customers. So we believe there is a huge way for us to go. It will obviously not happen overnight, but with the few of initiatives that are being taken, I think we will progressively keep inching towards the higher threshold over the next few years.

Prince Poddar: And this kind of spent per head growth, are these sustainable, very strong growth of 18%-20% kind of growth rate.

Ajay Bijli: At least in the short term for the next couple of quarters, they are. But like Nitin said, they would need to be now whole host of new initiatives that we take plan for next year which will again possibly propel the growth from hereon, but going forward in quarter 3 and 4, these are looking very much intact.

Prince Poddar: Sir my last question is on this thing that Q2 is generally quite strong for PVR. But this quarter being under performance, do you see that Q3 having started off well, will at least compensate for Q2’s underperformance this year?

Ajay Bijli: So it is relative to the way you look at it. I think Q3 the way we look at it will definitely be substantially better than last year. Whether it will end up compensating for Q2 is a difficult thing to answer, but it will definitely be better than Q3 of last year.

Moderator: Thank you. The next question is from the line of Venkat Subramanian from Infina Finance. Please go ahead.

Riken Gopani: Just one thing that I wanted to understand is about the collections trend in terms of the first week or the second week. Is there any significant change between the first week, second week and how does it really impact margins in any way for us?

Sanjeev Kumar: Clearly, this year as we have seen in terms of admission, there is a decline vis-à-vis we see last year Q2 and that decline is primarily because most of the films are finding it difficult to sustain over the week days and subsequent week. So partly your question is answered by the statement, but having said so, I think this year has also shown a lot of strength in terms of films of newcomers, smaller star cast which are hitting the bull's eye. A lot of new actors have been established in this year. So that is a new trend which is emerging which is extremely promising for the entire film industry and the second phenomena which is happening is that the peaks are becoming higher and higher because 200 crores for net collection used to be may be once in a year. This year we would end up with three films exceeding 200 crores. So I think that is another significant trend which is becoming visible with the peaks are becoming higher and higher.

Riken Gopani: And the other point that I wanted to understand if because of this, is there any specific trend that you think is panning out as to first week is where you would see the largest part of the collection or at best the second weekend. And is there in anyway this impacts our margins in positive way or a negative way because of our distribution agreements with our producer?

Ajay Bijli: Film **(Inaudible) 31.15** is pretty steady. So the portion of the revenue that we save in the distribution is not increasing that is also because the **(Inaudible) 31.37** percentage as the exhibition sector is consolidating, the skew is more towards the exhibitors. The first part of your question whether this is a trend, we do not believe this is a trend our is the cyclical business where we have seen the cycles before where business has seen some sort of a rally but the good news is that the value is not as deep as it used to be earlier. The depth of value also seems to be going higher. So we do not see this as a long-term trend. It has been a cyclical business, this year is no exception. It has gone down in a couple of quarters, but we firmly believe that going forward the revenues will take a bigger rebound.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Treeline Investments. Please go ahead.

Pulkit Singhal: On the advertisement front, can you share the details of the kind of contract you have with HUL. Is it a yearly contract, is it across your cinema halls. What is it like?

Nitin Sood: HUL is the very one-off the client. HUL actually contributes less than 2% of our revenues from our overall advertising pie, but it is an important client. Like HUL, we have also similarly lot of other large clients as well, but HUL got mentioned because of the specific nature of the deals that we have done with.

Ajay Bijli: And also what HUL does is it gets a lot of cinema averse clients into the category. Earlier what was happening was this FMCG as a category was kind of staying away. What HUL does is many large vendors with this whole category sort of begin to look at this medium little more seriously and that is why this HUL deal was so pivotal and important one.

Pulkit Singhal: Right. And is it a yearly deal?

Ajay Bijli: It is an ongoing. It has actually been going on for more than about 18 months.

Pulkit Singhal: So it has been there for 18 months on a paper view kind of deal.

Ajay Bijli: Right.

Pulkit Singhal: And what is the reason for these guys come? Is it because of the TV ad inventory becoming restricted or is it because of PVR's I think scale. What exactly the reason?

Ajay Bijli: It could be a combination of lot of things. It could be a combination of what PVR is inherently about great location, hence great audiences set and better occupancy. I think all of that put together with certain data being put in place give them the confidence that they could look at PVR in that manner.

Pulkit Singhal: And do you have nationwide kind of advertisements or are we still on a very regional look for business?

Ajay Bijli: No, we have got lots of clients which are on the national scale.

Pulkit Singhal: What percentage of your ads are you using currently, I mean your ad inventory in terms of minutes.

Ajay Bijli: Very difficult to say with the big film. It will be a different one in the non-blockbuster and another…. and so technically very difficult to specify what is the kind of time we will be utilizing.

Pulkit Singhal: And lastly are there any structural trends that you are seeing that are getting you more footfalls. I know that it depends largely on content, but then are there any structural reasons to feel that footfalls will continue growing assuming similar kind of content?

Ajay Bijli: I think generally people are visiting malls and it is a trend that goes in line with the overall sentiment of the economy and movies is still a number one form of entertainment for people. You have seen that it used to be cricket and movies and now cricket's interest is much lower. So when people got and what to entertain themselves, so that trend will continue. India makes largest number of movies, highest number of movies in the world we get. We import lot of Hollywood films, world cinema. So I think one is the supply of films which is very large and on the other end the insatiable appetite for people to go and watch movies outside. So this trend will continue to be there. People are committed to making movies and people are also very fond of watching movies.

Pulkit Singhal: Because I look at FY10 and FY11, I would have thought discretionary consumption would have picked up and people have kind of gone out, but then your same store sales have been just (-5) and 3% during this 2 years now. I do not know whether they were one-offs, but I would have expected given from a discretionary consumption perspective, may be more people would have come to PVR. Is that not the case or is it largely content?

Nitin Sood: So if we look at FY12-13, FY12-13 it really went up significantly. There was a double digit growth in footfalls and FY12-13 was really an outstanding year as far as box office was concerned. Content performed really well at the box office. I think last 12 months have been slow because of films are not doing well, but that is the nature of the business. You will have years with some great numbers with every film delivering on the box office and you will have some years with slightly below expectation performance. So that is the fair way to compare if you really want to compare. What is our potential, if you can look at FY12-13 which was a fantastic year in double digit growth on box office.

Pulkit Singhal: And you did not talk about the alternate content, you were trying something out there.

Sanjeev Kumar: These are early days, but the early signals are very positive. We have taken some baby steps. We have done a few locally developed alternate content. We have exhibited some international alternate content in our screen. It has been weeks back, but the good news is that there has been lot of insights on what people are looking for. Clearly, there is latent demand for content besides this in our cinemas. It also validates the position of cinemas as a preferred destination for being entertained, but too early to talk about numbers because I think we will have to give it a fair bit of time at least 6-9 months before we can come back with some concrete set of numbers which gives you some signals about what sort of share in the revenue would alternate content be adding, but the early signals are extremely positive. We are very buoyant about it.

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

Amit Kumar: Just a bookkeeping question to begin with. I joined a little bit late, so this might be a repetition. Could you just tell us what would be your overall CAPEX expectation for the year and how much would be couple of Cinemax sites that you are revamping. What would be the contribution of that CAPEX in the overall?

Nitin Sood: So overall CAPEX this year should be in the range of about 170-175 odd crores, out of which there is about 130-140 crores of CAPEX on newsprint addition and about 30-40 crores CAPEX on renovation plus regular maintenance that we spent on cinemas. So that will be the broad breakup.

Amit Kumar: Sir my second question was just sort of a follow on from another point which was asked. In terms of the increase in our spend per head which continues to show very positive double digit growth despite the kind of issues that you have seen in terms of footfalls overall. I just wanted to understand this spends per head from two perspective. What is the pricing component of this and in terms of mix, how is it changing. So basically saying that sort of food items, what kind of inflation are you taking on an year-on-year basis on average essentially popcorns, soda and the other core items that you carry and there has been some effort from the company and rather from the entire multiplex industry to basically upgrade the consumer have more different kind of food items in store, pizzas, etc., over the last few years. So what is the contribution of both of these that will probably help understand us the growth better.

Ajay Bijli: The first answer to your last part, Pepsi and popcorn still dominate and are called the hero products within our concession. They contribute close to about 65% of the total sales and these are items which we really pushed to sell simply because they also garner the lowest (COGs) cost for goods. Now coming back to your first half of the question what came through volume and what came through pricing? Out of the 21%, 7% really came from pricing hike, but these were generally taken in the category A and B level cinemas and the positive part is the 14%, the bulk of the growth of this 21 came by getting more people to come and convert at the concession. So we worked a lot harder in getting higher strike rate to the concession than just going up on price.

Moderator: Thank you. The next question is from the line of Rijul Gandhi from Centrum Wealth Management. Please go ahead.

Rijul Gandhi: Just a small question. Movie production distribution expenses on a year-on-year basis increased during the quarter. So I just wanted to know the trend for the H2. How would that look considering around 3-4 movies are going to get distributed via PVR? So can you give me a sense on that?

Nitin Sood: So just to answer your question, I think this has got highlighted separately, but in effect the revenues have also gone up in a similar proportion. So in fact the contribution on distribution has been positive. It has contributed positively to the EBITDA. Just that from a reporting perspective because it is a separate revenue line, we need to report it separately. I think that is the reason it is striking up, but overall contribution from distribution has been extremely positive for the overall business.

Rijul Gandhi: And how do you expect the expenses to be trending in H2?

Nitin Sood: So I think it is a function of what since we end up distributing. It is directly proportional to that. So we account for all revenues on the topline and expenses therein and net-to-net, we look at the contribution from the business. So overall this year, I think PVR Pictures will do about 45-50 crores topline and will contribute about 3-4 crores EBITDA for the business which is a very healthy…..

Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to the management for closing comments.

Ajay Bijli: I just like to thank everyone for taking time to participate in the call and if you have any follow up questions, feel free to reach out to me for any clarification. You can drop me a short e-mail and thank you very much once again.

Ajay Bijli: Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.