



“PVR Limited Q2 FY-16 Earnings Conference Call”

November 04, 2015



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MODERATOR: **MR. NIKET SHAH – MOTILAL OSWAL SECURITIES LIMITED**



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Moderator:

Ladies and gentlemen good day and welcome to the PVR Limited Q2 FY16 Earnings 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 would now like to hand the conference over to Mr. Niket Shah from Motilal Oswal Securities. Thank you and over to you sir.

Niket Shah:

Thanks so much. We at Motilal Oswal are extremely pleased to hold this Q2 FY16 Earnings Con-call on behalf of PVR. We have Mr. Ajay Bijli – Chairman-Managing Director, Mr. Sanjeev Kumar – Joint Managing Director and Mr. Nitin Sood – CFO of the company.

I will hand it over to Ajay for his opening remarks post that we can open the floor for a Q&A session. Over to you Ajay.

Ajay Bijli:

Thanks. Even Gautam Dutta-CEO of the Company is here as well. Good afternoon everyone, thank you all for taking the time out. We will give you the snapshot of the Q2 results for this year. The revenues for the quarter ended September 30th were 481 crores compared to 399 crores in the corresponding period last year which is up by 21%. The EBITDA consolidated for the quarter was 100 crores and the EBITDA margin 20.7% as against 58 crores and the EBITDA margin of 14.5% last year and the same year. So the EBITDA has gone up by 73% and the margin has grown by about 4.7%. The consolidated PAT for the quarter was 41.1 crores as against 8.2 crores for the corresponding period last year which is about up by 405%.

We had a great quarter on the back of some very good films like Bajrangi Bhaijaan, Baahubali, Welcome Back, Drishyam and also Hollywood film Impossible. Our footfalls also increased to 18.8 million which is up by 20%. Ticket prices grew by 3% and on comparable properties our footfalls grew by 14%. The food and beverages revenues showed a growth of 32% over a corresponding period and up by 9% was the average spent and there was a 13% increase in sponsorship revenues as well as opposed to the last year. Now October also has started movies like Singh is Bling, Pyar Ka Punchnama 2, Talwar which is a super hit, they have all done well at the box office. We have a good November coming up, Prem Ratan Dhan Payo which is Salman Khan's movie, it's releasing on Diwali day which is midweek next week on the 11th. James Bond which is opened huge in UK, is opening in multiple languages on November 20th. We have got Tamasha of Ranbir Kapoor and Deepika and December we have Dilwale and Bajirao Mastani and also a very big international franchise Star Wars in 3D in IMAX. So this is for the coming quarter but also a little snapshot and even January is looking good, we got Wazir, we got Ghayal, we got Airlift of Akshay Kumar. So even up to January, February, next year is looking good.



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On the expansion front in the first seven months; although quite a few of our screens are ready, in fact almost I would say 29 screens are ready. But they are all awaiting licenses but we have opened 13 screens so far. But this quarter we are hoping to add about 22 more roughly and only one 1 shy of 500 screens. So that's the snapshot and I will now open this session any Q&A that you may have. Thanks once again for joining in.

Moderator: Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Mr. Niket Shah from Motilal Oswal, you may go ahead please.

Niket Shah: The F&B part of it, I think we saw significant amount of margin expansion. Would it be possible for you to quantify what was the major reason of this? Is it just a product mix change or is it newer offerings or is it lower inflation and is it sustainable or not?

Gautam Dutta: Basically F&B growth has been very consistent if you actually track over the last...on the cost base yes, we've looked that our total sales mix and looked at how we could be driving more combo sales than the individual products even our mix on the eats versus the popcorn, Pepsi where the margins are high has kind of sort of driven this kind of a decrease in cost.

Ajay Bijli: And see, Niket what has also happened is that I think as we've kind of expanded, we've also got few supply-chain benefits because the size and scale has allowed us to now manage the supply chain better, manage our raw material cost better with a better quality product offering. We source some of the stuff directly from outside of India, much better quality and much better prices and optimize on that front. The second focus has been on around reduction of wastages so as you kind of filter your portfolio product offering, revamped them on ongoing basis. You filter out your wastages and stock shortages so I think we are extremely confident that we will be able to maintain our COGS base between 25% to 26% level and so the margin that we have expanded should remain in that ratio.

Niket Shah: My other question was on the ad-revenue part of it. Obviously we saw Inox reporting numbers and their ad-revenue growth was also close to 20% and we are actually slightly below 15%. So just wanted to know is it more of a seasonal thing where Q2 is more, Q3 is like the biggest quarter for us but just wanted to sense that what can be a sustainable run rate for advertisement growth, what's really happening, why growth rate is kind of really coming off?

Gautam Dutta: It isn't coming off; actually this is the kind of percentage growth we've historically been seen. Quarter 3 is by far our best quarter and even this year Quarter 3 promises to be a big quarter for us in terms of the overall advertising revenues that we shall generate. If you look at it from the whole year perspective we will still record close to the double-digit growth numbers on this medium. From our point of view this is as per really what we had planned and budgeted for.

Moderator: Thank you. First question is from the line of Shreeram from Crisil. Please go ahead.



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Shreeram: Just couple of data related queries. Can you please share the breakup between Hollywood, Bollywood and regional movies for the quarter and corresponding quarter last year?

Ajay Bijli: I think this year the biggest revolution has been that how the Hollywood and regional content are has shaped up. Our overall emphasis I think starting last year what the biggest focus has been, how do we take regional content to nontraditional markets and that's been working very well. We have made lot of experiments in terms of things like PVR Live etc., some of it has worked, and some has not worked. But what has really worked I think is taking regional content to non-traditional markets and this year has been a very strong year both for Hollywood and regional films. If you look at this quarter alone, almost 50% of our contribution has come from regional and Hollywood films put together. This is like for the first time in our operating history, regional film contribution this quarter alone has been about 24% in terms of admissions and roughly about 29% in terms of revenue and Hollywood contribution has been close to 16% to 17%. So in terms of revenue contribution almost 46%-47% has come from regional and Hollywood and 54% has come from local content which is films in Hindi content and Baahubali has also been one of the key reasons to drive some of this.

Shreeram: My second question was on the other operating revenue part that has gone up significantly I mean both sequential as well as if I compare it to the same quarter last year I mean what is the particular reason for that?

Ajay Bijli: Basically other operating income essentially consists of two parts. One, we have got income tax refund for previous year so we have got interest refund from the department which was about 2.5 crores out of the other income that you see. Second the amount of money is really our interest income that we have earned on money lying in the mutual funds, we raised an equity, and that money is currently lying in the bank account pending the completion of the acquisition. So it's really the interest income on that money which is kind of reflected under other income.

Shreeram: Actually my question is pertaining to other operating revenues. You classify your revenues as NBUC, F&B, advertising and other revenues so I understand that is a small part of your overall pie. But if you look at it, from last one-year it has gone up by 60% so just wanted to understand the reason.

Ajay Bijli: So other operating revenue essentially consists of 3-4 components. We have some rentals spaces in our cinema which we sometimes lease out, that is part of this. Then we have the online booking fee income that we're earning from this. There is some part of VCS income that we earn on the projector that we have. So it's a combination of 3 to 4 items which are very ancillary and small but they are all part of our other operating revenues.



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- Shreeram:** For two consecutive quarters now our footfall growth has been quite healthy. Is there any chance and is there any avenue for us to renegotiate ad-rates based on these footfalls in the subsequent quarter?
- Ajay Bijli:** Renegotiate what?
- Shreeram:** Ad-rate.
- Ajay Bijli:** I think our ad strategies evolve every year. It has got nothing to do with specific about footfalls as such so I don't think our advertising strategy is linked to one quarter. It is linked to a larger strategy on how we see the market evolving and how you see our properties shaping up. So that involves and it is very localized in some sense and that it is also at a macro level at some level. So that is ongoing process so I don't think we take a view based on a certain quarter.
- Shreeram:** Last question from my side, I believe you earlier guided for screen expansion of 55 to 60 every year. I mean this year as I understand it is slightly slow in the first half so do you still maintain the guidance, how many screens full-year do you plan to add standing today?
- Gautam Dutta:** We still maintain about... 67 screens will open as I mentioned earlier that we've got a 9 screen complex in Bangalore, 4 screen complex in Pathankot, 5 screen in Chennai and 4 screen in Mysore which is already and then we have another 6 plus 5 Bangalore, Mumbai 5 and then another Mumbai in 6 about 15 around and there are 30 odd in the fit out which should be ready very soon. So we are still on track with 67 screens opening this year.
- Moderator:** Thank you. Our next question is from the line of Charles Cartledge from Sloane Robinson. Please go ahead.
- Charles Cartledge:** I just wanted to better understand some of the expense items, so not withstanding to very strong increase in revenue we would normally expect some costs to be relatively fixed and I'm thinking here of employee expenses and rent. When I look to your seat additions you are running at 4% or 5% higher than a year ago but your employee costs are up 19% and have been above 15% for the last three quarters and your rental costs are 18%. So I would expect basis those costs should be closely related to the number of seats. Could you explain why there seem to be inflation at a much higher rate?
- Ajay Bijli:** There are two components of this, when you look at our rental costs versus Q2 of last year, it has actually come down by one percentage point from 18% to 17% of the revenue. So I think if you really look at an absolute terms, the growth in rental cost is only about 4% so that's our annual rental inflation growth that is inbuilt in the system, our rentals typically go up between 12% to 15% every three years so there is a 4% annual rental growth on an overall basis. Similarly if you look at our overall employee cost for the quarter, how has it moved from Q1 to Q2, it has marginally moved up by 4%. But that's largely on account of new properties that



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we have added during the quarter which are yet to stabilizing operation. Otherwise from a people costs perspective, we have an average inflation of about 7% to 8% annually on people cost in absolute terms. As a percentage of revenue our people cost is close to 8.5% on annual basis.

Moderator: Thank you. Next question is from the line of Ruchi Vora from CLSA. Please go ahead.

Ruchi Vora: Your revenue in Q2 is almost similar to revenue in Q1. Just wanted to understand why sequentially your margins on the EBITDA front are lower, just wanted to understand how this works in terms of fix cost versus how many movies do well in a quarter?

Ajay Bijli: So two big reasons, I think if you look at our box office growth in Q2 versus Q2 of last year, it's been marginally lower as compared to what Q1 was. Secondly if you look at our F&B revenue, F&B revenue Q1 on a spend per head growth, we had 19 million people coming to our cinemas in Q1 and our average spend per head growth was close to 15% last year. Whereas in Q2 the average growth has been about 9% and so our average spend per head is about Rs. 4 lower as compared to about Rs. 5 to 6 lower as compared to Q1 of last year. That is largely driven by the fact that we have lot of regional content in Q2 so if you look at the page where we have shared our box office performance of top 5 films, the average ticket price for Baahubali was almost Rs. 30-35 lower as compared to Bajrangi Bhaijaan. Now what happens is our average spending per head is also a function of what is the profile of people we get, what our average ticket prices are, anticipating regional contents at the lower ticket price. So F&B lower average spend per head during the quarter is driven by lower SPH and one thing ruled to play in terms of how because this money will come straight to the bottom line so that was one of the big reasons why the average margins are looking slightly lower than what Q1 was and that is the large part of the reason.

Ruchi Vora: So is that what we should assume going forward is that when there is regional content, the average spend per head could be slightly is lower given the profile of understood...and for Hollywood if there is a high share of Hollywood content, the average spend would be higher, is that a fair assumption?

Gautam Dutta: Yeah I mean compared to last quarter it's only...it's about Rs. 3...

Ajay Bijli: So if you really have multiplied 1.9 crores people into Rs. 5 roughly it's about 10 crores, 75% margin on that as, you just add the numbers and that will really be the...

Nitin Sood: The difference between Q1 and Q2.

Gautam Dutta: But one has to see the way our screens are spread out so we do have large number of screens spread out equally in West, South, and North. So therefore we mitigate that risk of just being dependent only on regional content. So we have a very good penetration of screens in West



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which is 214 screens, in the North we have got 140 screens and South it's only 105 screens so we keep mitigating that risk of we were not getting any lower revenues by having screens which are very well spread out. So I think whereas good content will come Hollywood and Hindi films this will all get compensated in this quarter.

Ruchi Vora:

My question two is on the taxation on the exhibition industry, it's quite high and it's actually gone up in some of the states. So I just wanted to hear your thoughts on as an industry stakeholder, how are we engaging with the government to kind of be a bit more rational on the tax sides across various states? Is there some representation that we are making as exhibition companies to the government to go slightly slow on the entertainment tax and we understand GST will change things in a positive way but what is it that we are doing to kind of engage on this?

Ajay Bijli:

We are very aggressively, obviously maintaining representations to any state governments, for only one state government, only one unfortunately I would say has taken it up which is a Delhi state government and we had several discussions on that front to bring it to a more reasonable level. So I think this is a very big issue, of course GST is a very important for the industry and that will be a game changer as they say. But at the same time in the interim if anybody tries to increase the tax fee, immediately get into action the entire industry then makes representation and tries to explain to the government that you cannot have tax structure so high. So as I said in the last one year or something, only one state Delhi has taken it up rest are still at the previous levels and the other thing is that some state governments have continued to also extend entertainment tax holidays and also give incentive so that's also compensate going forward.

Ruchi Vora:

So a bit from a taxation perspective, how do we approach this let's say a potential rise in taxation is given that we are quite dominant in the NCR region? So do we completely pass it on and in what way, do we increased ticket prices or how do we really pass on this tax increase?

Ajay Bijli:

We've absorbed, we've not been able to pass on the entire increase and we had to absorb part of the increase because ultimately ticket pricing is a function of what we think the customer will realistically see. So while at a mathematical level it's easy to say to just pass on but I think on a practical level it's not so easy. So we have been able to marginally increase prices but I think we have not been able to kind of pass it on fully. We are in a constant dialogue with the government, showing them what impact it's been having and how Delhi is going to suffer in the near term because of increase in taxation because wherever we tried to increase we've got a kind of come-back so we are in a constant dialogue with the government. Government has promised to talk to us and listen and I think they are hopeful in the next few months as we kind of continue to engage, they will relook at their decision.



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- Ruchi Vora:** My last question is really on if I may ask on the conference call, is on this article which appeared in the Times of India few days ago. So would management like to throw some comments on that?
- Ajay Bijli:** My suggestion is why I don't respond to that towards the end of the call, we can do the call to address all the queries on financials and then we can make a statement towards the end of the call.
- Moderator:** Thank you. Next question is from the line of Jay Doshi from Kotak Securities. Please go ahead.
- Jay Doshi:** My two questions are, one is when I look at advertising growth for comparable properties 7% growth seems a bit weak considering that the movie pipeline this year was perhaps better and footfalls is grown by 15%. If you could kind of help us understand why is it so? Secondly you mentioned about a double-digit advertising growth this year so should we expect...are you indicating lower double-digit kind of a growth or mid-teen growth?
- Ajay Bijli:** On an annual basis in store growth will be between 10% to 15%. It could settle anything between that. I will ask Gautam to respond to the Q2 question specifically.
- Gautam Dutta:** See basically if you look at the H1 number because our business has slightly seasonal, we got to look at how was the market responding to certain launches, product launches and other things and we felt that Q2 is normally slightly slower than Q3 simply because most of the product launches happen around the festive season. Every year Q3 is a much bigger quarter for us and we are in line with that. But if you look at the H1 number, you will see the growth numbers climbing up to about 14% there.
- Ajay Bijli:** And also I think we had lot of regional content so you get lot of advertising with big Hollywood releases and big Hollywood releases actually. Lot of content in Q2 was driven by regional films so typically for film like Baahubali you won't have too much advertising contracts in play and lot of Marathi, Punjabi is films which ended up doing well, you won't have too much advertising contracts in play.
- Gautam Dutta:** The big stars normally get in the advertising revenue so it's not so like Pyar ka Panchanama or Baahubali or Weclome Back, would be typically films that do exceedingly well on the box office but for advertising it is largely the star power that drives.
- Jay Doshi:** Is it reasonable to assume that in terms of inventory and off-screen inventory that also we may be having, we are almost at peak levels and growth from here on would be yield driven?



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- Gautam Dutta:** No, we swell up on our inventory during blockbuster but because it's a weekly business the inventory level every week changes. But it would be fair to assume that during the big blockbuster we are technically sold out.
- Jay Doshi:** If I were to look at 2012 to 2014, PVR screen additions were almost twice that of the number 2 and number 3 player, now if I look at last three or four quarters, all the three players are adding similar number of screens. I'm on there that you have quite a few ready screens which you will probably at in next one or two quarters. From medium-term perspective, maybe next three years, how do you see your market share in multiplex screen additions?
- Ajay Bijli:** India is still a very fragmented market so I don't think we have reached the stage of started calculating market share. I mean in overall 8000 screens are there in India and multiplex screens are still about 1800. So each individual player even if we have 500-600 screens I mean it's highly in the market share discussion worthy. However, as far as organic growth is concerned of adding number of screens given the real estate development pace and competitive scenario I think we are still looking at 70 to 80 screens, roughly being added every year in the next three years. So I think that pace will continue to remain and even this year as I said earlier that we will be looking at 67 odd screens. We are on track for that and licenses get delayed here and there, that's fine but they are in good malls, good locations, all the OCs, CCs are in place. So it's a matter of time when they will open.
- Moderator:** Thank you. Next question is from the line of Urvil Bhatt from IIFL. Please go ahead.
- Urvil Bhatt:** Can you just provide some update on the progress and the DT Cinema acquisition? When can we expect consolidation of DT Cinema and what sort of approvals or regulatory compliances are still pending?
- Ajay Bijli:** The process is that we filed an application because this transaction technically required approval from Competition Commission of India. So post the agreements we've filed an application to Competition Commission of India to seek their requisite approval. I think the matter is pending before the Competition Commission. We are in the process of discussion and negotiation with them. I think we expect to hear back from the Commission shortly on the way forward. So I don't know the specific timeline but hopefully next 30 days or something we should have a clarity on how the matter is evolving and we will keep the markets posted and everyone posted.
- Moderator:** Thank you. Next question is from the line of Amit Kumar from Investec Capital. Please go ahead.
- Amit Kumar:** I'm a little bit surprised by the fact that Spectre is already premiered in UK and US on October 26 and it's launching in India on November 20th. Our understanding was that most of the Hollywood content, especially with digitization across multiplex chains in India being almost



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100%, the launch dates were fairly coordinated. So is there any specific reason for this large gap, almost a month?

Ajay Bijli: Actually this is a question for Sony Pictures. I mean it is obviously about distributor and the studio when they release the film, of course from our point of view we would prefer being release here than US. It's really something that beyond us sometimes because Sony who is the distributor and producer who had some delay owing to dubbing the film in major Indian languages.

Amit Kumar: Just to clarify, this is not any sort of dispute between Indian multiplexes and....

Gautam Dutta: Not at all. They are making their profit completely, it's something which they have to handle and sometimes the process of importing, censorship and dubbing, takes longer than anticipated and that's why they delayed the film, pushed back the film. But we still feel that the film will do very well because that is where you have a Salman Khan film and it didn't expect coming against Salman Khan's film so they pushed it to the 20th.

Ajay Bijli: Salman Khan is bigger than Daniel Craig in India. So basically I think 11th which is the midweek, it's good that two movies don't come head on and clash. Even in the US the movie is getting released, this Friday after the UK release. So UK was also an aberration that it got released on a Monday which is 26th.

Gautam Dutta: UK, James Bond traditionally always comes up, it gets released a week before the world that's of course it's been happening since the first Bond film.

Amit Kumar: Just reiterating that point on rentals, how much of your circuit I mean 105 odd properties, how many of these would-be on variable rentals just about and there of course as your footfalls sort of go up, you would expect to pay higher rentals as well. We just wanted to get a sense of the mix between takes rentals and variable rentals.

Ajay Bijli: Roughly about 30% of our screens would be subject to some form of variable rental mechanism and I would say two-third to 70% would largely be fixed rentals but roughly about one-third of the screens would be in that.

Amit Kumar: When we look at quite a bit of the operating leverage this time around has really come from, this item called other expenses which is actually just unprepared in maintenance which is all put together just about flat on a Y-o-Y basis despite the fact that you have 5% more screens, significantly more number of footfalls. So could you just give us a sense, there is not even an inflation increase in this line item, if you could just explain that bit to us?

Ajay Bijli: One of the big reasons has been I think while we wanted to do R&M, I think we have had no time simply because the content pipeline has been so strong that I think we have had no time to



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kind of partly shut down any Cinemas or give any screens for renovation or refurbishment in due course. So I think this has been one of these years as the content pipeline is so strong and we have planned renovation and R&Ms do during the year. But I see most of them coming towards Q4 of the year rather than this part of the year where we have a very strong box office.

Amit Kumar: So that cost structure will normalize somewhat in 4Q is it?

Ajay Bijli: Yeah.

Amit Kumar: Just trying to understand, in terms of tax rate and a little bit of this is really coming from your peer also which has sort of noted that entertainment tax piece which we used to previously get as a capital receipt that has now been disallowed and it needs to be booked as revenue receipt. So two things, one is that what kind of tax rate should we build in for this year and in how much of tax credits do you have in how much time, do we expect to become a full taxpaying company at the income tax level?

Ajay Bijli: We have lot of MAT credit entitlement available so I think this year we will be a full taxpaying company. Our tax computation will be based on a normal tax composition instead of a MAT. But because we have lot of MAT credit so we will end up utilizing a lot of MAT credit while we discharge actual taxes. But from accounting perspective I think we have to provide for a deferred tax liability because the profit outlook for the year has been very strong and also the fact that the government has changed the tax accounting standard which allowed the entertainment tax subsidies to be treated as capital received. So on a full-year basis I think we expect our average tax rate to be about 20% to 22% roughly in that range. But if you look at some quarters will be marginally higher depending upon the profit outlook and Q4 is typically lower so you will get some tax credit in that quarter. So on an annual basis I think from accounting perspective about 22% would be our average tax rate provision in the accounting books.

Amit Kumar: So this MAT credit that you have it has now become a reducing balance, you are basically eating into that MAT credit from here?

Ajay Bijli: Correct. As we come to the normal tax computation we will start utilizing the credit.

Moderator: Thank you. Our next question is from the line of Sanjay Bembalkar from LIC Nomura Mutual Fund. Please go ahead.

Sanjay Bembalkar: On our expansion strategy as you rightly mentioned 70 to 80 screens addition per year that is going to be run rate for next 3 to 4 years. So my question is, are we seeing slowdown in the pace of malls being built by developers and if that is the case will we change our strategy to non-malls and we will occupy screens in those kind of standalone properties?



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- Gautam Dutta:** No, we will continue to be in malls and shopping centers so when we have signed a good pipeline of screens and I mean these malls are still coming up, the only the dates may get shifted here and there but malls are coming up and we have decided that we will not have any standalone strategy because we need to be part of a destination where there is a shopping happening, there are food courts and there is car parking space, its air-conditioned. So even despite this so-called slow down which I still believe is temporary because lot of new brands are coming up. There was a bit of a glut of some of the existing brands but all of a sudden you see a lot of new international brands coming up which need to be housed again. So we are again seeing in the last six months a positive movement in mall development and so that's what our strategy is going to be. There are going to be enough malls for us to fill up 70-80 screens a year.
- Sanjay Bambalkar:** On this new tie-up of properties, is there any change in the lease agreements or is there any change in the CAPEX requirement for these screens or that continue to be in our historical range?
- Gautam Dutta:** Not exactly the same. I mean the way we structure all the leases which could be on a minimum guarantee or revenue sharing and also the CAPEX is a function of where we are building the Cinemas. If it is in a small city like Bokaro or Nanded or Kolhapur then a per screen CAPEX is lower but if it is in a city like Bombay or Bangalore where demographic profile of the consumer is different, he wants quality and we have to up our offering then the CAPEX per screen can increase.
- Sanjay Bambalkar:** On the maintenance CAPEX, what would be the range of maintenance CAPEX for next 1 or 2 years?
- Nitin Sood:** I think it will vary between 2% to 3% on an average basis but in top of that I think we maybe upgrading and renovating some of our key properties which are delivering some great return. So the focus will be to kind of incrementally revamp some properties which we think we are an EBITDA leader and driver. For example we've completely renovated and rebranding a Versova property which we acquired from Cinemax and trying to hopefully we will launch it with Bond next month in a new avatar. We think that we will be of a significant next leader and EBITDA driver from that perspective. So I think some of our leaders and **Alma 39.00** properties, we will keep reinvesting in because what we are seeing is the traction of EBITDA growth and any growth from that property will be quite outstanding. But otherwise I think we will continue to spend closer 2%-3% of our revenues on an annual basis towards R&M and refurbishment.
- Moderator:** Thank you. Next question is from the line of Urmil Shah from IDBI Capital. Please go ahead.



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- Urmil Shah:** Sir just wanted to follow up on the previous question of two big movies clashing. While the Salman movie and Spectre is not clashing but we have a Dilwale and Bajirao Mastani clashing on the same day and important period for the industry. Also want to have your views with what has happened in the 2nd Quarter wherein movies like Brothers or Welcome Back, have seen more than 75% drop week on week in their collection in the second week.
- Ajay Bijli:** Water finds its own levels this is the nature of the business, sometimes you have movies which are expected to do big and they do very well, typically they all end up doing very well on the first week in any way and sometimes the weekends are very long and they can may be drop on a Monday but at the same time you get compensated by movies like Talwar for example...
- Gautam Dutta:** Even Pyar Ka Panchanama.
- Ajay Bijli:** Pyar Ka Panchanama, Talwar so many films which we call sleeper hits which we don't assume will get very high forecast high occupancies revenues and footfalls and F&B revenues but they end up doing very well and typically these are urban films so the kind of crowd that also comes is happy to pay higher ATP and spend more on F&B as well. So I think that's the nature of the beast where one movie may not do well but the other ends up compensating and that's been what's happening in this year, Piku, Tanu Weds Manu so lot of sleeper-hits have come and which is very good for the industry rather than just relying on big movies. On Bajirao Mastani and Dilwale I mean this has happened before also, it can work both ways that you had Baahubali and Bajrangi Bhaijaan also almost on the same date and they also did extremely well. So you never know what may happen, ideally there should have been a gap of at least a week but this is a good dates and they want to release in the same day so we are okay. We are geared up to take two big movies and that's what multiplexes are all about, we can play a variety of movies on the same day so it should be okay.
- Moderator:** Thank you. That was the last question. I would now like to handover the floor back to Mr. Niket Shah for his closing comment. Over to you sir.
- Niket Shah:** Thanks so much for being on the call. Ajay you would like to have any closing comments?
- Ajay Bijli:** Nothing really. Thanks for all the support that you have been giving to PVR and we continue to look forward to having a very good year ahead. We continue to focus on quality, on growth, a quality on all fronts, technology upgradation and maintain the kind of standards that we are giving to the consumers. We are also focused on giving a very high quality set of numbers going forward. I would like Nitin to say a few words, the CFO, of the company about some question that was asked earlier so that any apprehensions or **(Inaudible) 42.44** can be laid.
- Nitin Sood:** I think Ruchi this is in relation to the question that you are relating to the press article that came out. So just to kind of put things in perspective, I will give a brief background to the matter. I think in November of 2012 we made the Cinemax acquisition and we kind of raised



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capital to fund that acquisition and then January the board is told us to stock option plan for all the employees of the company. In March of that year both our private equity shareholders decided that they want to create an incentive program for the Managing Director of our company to create significant shareholder value and work towards building this acquisition right. So they on their own account issued an incentive letter to Ajay in March of that year and basically the reward letters were essentially granted to appreciate and incentivize the performance, akin to ESOPs because you can't do ESOPs to promote the directors in Indian context. There is no specific benefit to any specific shareholder at the exclusion of others. Over the call if you look back in the last 3 years, there has been a significant growth as the company has delivered, from a 700 crores revenue we now hopefully moving on this year to about 1800 crores revenue. All these letters were duly disclosed and taken off-record by the board of directors of the company. We have also made all the necessary clarification and the matter to the stock exchange and all the regulators. Absolutely all in terms of disclosure, etc., whatever was required under the applicable regulations have been duly made. So that's the limited thing that we would like to say on this. It is kind of worked in the interest of all shareholders of the company. There is no conflict of interest at any stage with respect to this and that's something we've tried and clarified to whoever has kind of called us in this regard. Niket back to you and I just like to thank everyone for taking time out.

- Moderator:** That's from the line of Kritika Talera from Pi Square Investments. Please go ahead.
- Kritika Talera:** I just wanted to know that as we have a maintenance CAPEX also in the Q4 of this year and we have to open some screens also so would that be possible both of them together like, will we be able to do?
- Ajay Bijli:** Maintenance CAPEX is typically done in relation to screens which are currently existing, so what normally happens and when the film flow is slightly less what we end up doing is we try to shut down some of the screens and renovate and refurbish them because typically the box office is slow. Whereas new screen opening is completely independent, there is separate team which has focused around executing new screens and there is a completely separate team which has focused around revamping some of the existing screens. This year we have a lot of screens which are also currently under renovation so like Versova which is our prime flagship project has been shut for about last 3 to 4 months. It will reopen; our property in Indore, the whole mall is getting revamped just now. They are relaunching the whole mall so that is shut right now. But as our portfolio matures one or two or three screens will always be under renovation at some point of time so that's part of the normal business.
- Kritika Talera:** So that is maintained by some other movie theaters like a shutdown of one cinema hall can be like maintained by the other?



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- Ajay Bijli:** Yeah because we have now 105 screens portfolio so at some point of time something or the other will be constantly under maintenance.
- Kritika Talera:** If you can just repeat the number of screens to be opened in this quarter, can you just repeat the number?
- Ajay Bijli:** See we have roughly about 50 screens lined up in the next month so mostly in between 20 to 22 could open this quarter and the balance could open in the next quarter with the function of what licenses we end up getting during this quarter.
- Kritika Talera:** The taxation thing which we talked about so if it is not passed to the customer then how is it managed within the company?
- Ajay Bijli:** That is absorbed as part of your increasing cost to some extent. But the hope is that because of a strong box office and the strong content pipeline, lot of it is getting mitigated by higher admissions and as we lobby with the government to bring it down to rational level, it will help us in reducing it back.
- Kritika Talera:** So that does not impact our profit?
- Nitin Sood:** It does impact till the profit in the short term because if really the tax rate was much lower the profitability could have been even higher than what it is.
- Ajay Bijli:** But the tax sector it's been talked about is only representative of screens in Delhi not even NCR so in NCR, Gurgaon is separate and Noida and all other jurisdictions are different so that is only representative of also portfolio for 177 screens.
- Nitin Sood:** Roughly out of the 500 screens.
- Moderator:** Thank you. We have a last question from the line of Charles Cartledge from Sloane Robinson. Please go ahead.
- Charles Cartledge:** A quick follow up on comments that you made after the incentive scheme in the private equity groups. So just to clarify, you said that you made all the necessary disclosures to the regulator, stock exchange and to the board. Were the all of those disclosures made in 2013?
- Ajay Bijli:** Yeah see because this does not concern the company, as a matter of good governance still made all the disclosures to the board. There is the requirement to report to the stock exchange under the existing guidelines because the company is not involved, the company is not paying a single penny from its pocket as part of this reward or incentive. So we made all the necessary disclosures to the Board of Directors of the company at that point of time, placed these reward letters on record and subsequently closer to this date of news article because somebody who



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has written to the journalist is probably also kind of written to the exchange, exchange sought a clarification on this. We have replied to them and given them all the necessary clarification in the matter and they seem to be duly satisfied.

Charles Cartledge: So disclosure was made to the board in 2013?

Ajay Bijli: That's right.

Charles Cartledge: As per the article you took some legal advice and your advice that you did not need make any further disclosures at that time. But in response to the press article you did make disclosure to stock exchange and they seem satisfied.

Ajay Bijli: That's right.

Moderator: Thank you. That was the last question. Thank you very much sir.

Nitin Sood: Thanks everyone for taking out time for the call. I would like to thank you all once again and if you have any follow-up questions, feel free to call me.

Moderator: Thank you very much sir. Ladies and gentleman with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.