



“PVR Limited”

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ANALYST: **MR. NIKHIL VORA**
 MS. SWATI NANGALIA

MANAGEMENT: **MR. AJAY BIJLI, CHAIRMAN & MD**
 MR. NITIN SOOD, CFO
 MR. GAUTHAM, COO



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY14 Earning Conference Call of PVR Limited, hosted by IDFC 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 this conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nikhil Vora. Thank you and over to you Sir!

Nikhil Vora: Thanks. Welcome you all to PVR’s conference call for Q2 FY’14. I am sure there is stable of excitement on this name right now. We have seen through this company from 700 Crores market capital right now close to around 2400 Crores. I would like to welcome the management of PVR led by Ajay Bijli, Chairman and Managing Director, Sanjeev Kumar, Joint MD and Nitin Sood, CFO along with the senior management team. Over to you Ajay to make the opening remarks and just explain us why 2400 Crores are still achievable.

Ajay Bijli: Thanks Nikhil. Good afternoon everyone and very Happy Diwali to you in advance. Basically, I will just give you the snapshot of the numbers before the Q&A that you may have.

Basically the September ending quarter we did about 367 Crores of revenue as against 193 Crores in the same period last year, which is up by about 90%. The consolidated EBITDA for this quarter is 76 Crores as against 37 Crores in the same period last year, which is up by 103% impact is 27.7 Crores as opposed to 16.1 Crores in the same period last year, which is up by 71%.

This quarter we did 16.6 million admissions that tickets got sold, which is 8% more than last year and the average ticket prices rose by 4%. F&B we had a very good growth which grew by 25% this quarter and also the sponsorship revenues which are very significant this quarter grew by about 42% as compared to last period.

We added about 9 properties with 50 screens across various cities for the first half year already and we have about 398 screens over 92 properties in 37 cities just now and we are looking at adding another 40 screens in the second half in cities like Chennai, Mysore, Vijayawada, Dehra Dun, Bhilai, Pathankot, Mohali, Bopal and Mumbai, so we are looking at about closing the year with about 440 odd screens.



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So that is a brief snapshot and over to you guys for any Q&A that you may have.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We have first question from the line of Mr. Alankar Garude from Edelweiss Financial Services. Please go ahead.

Abneesh Roy: Sir congrats on very good set of numbers again. My first question is on the footfalls, which has fallen, you have attributed that to just to blockbuster films five, last year, so any reading you would like to take that why number of films has come down drastically? I agree always there is a content part of view and the X formula, but we are seeing discretionary slowdown across almost all categories maybe except one or two, so is that the reason why that the number of blockbusters now could structurally reduce going forward?

Nitin Sood: That is not correct. I think we are absolutely not seeing any concern on consumption spending as far as entertainment as a category is concerned and that is reflective of the fact that we have seen marginal growth in pricing. Our pricing growth is also function of the quality of content that we have. Last year when you look at it Q2 was the best quarter of the year. We had all the big films releasing in Q2. Q3 was a slightly slower quarter as compared to Q2. I think this year the content pipeline has shifted slightly towards Q3 and Q3 is bigger quarter with a lot of big films releasing in this quarter. So clearly I think we are not seeing any concern there and absolutely like Q2 has been slightly slower than last year as far as box office was concerned, but this year Q3 should be slightly better than Q3 of last year, so that is largely due to content. We are not seeing any issues on spending or ability to increase prices.

Abneesh Roy: My next question is on the sponsorship revenue I see a marked slowdown in the PVR numbers, 45% H1 versus 28% Q2, so in spite of such heavy expansion in PVR itself could you just analyze on a same store basis how advertising revenue growth is looking like and in which sector have you seen such a mark slowdown?

Ajay Bijli: Quite honestly we have not seen a mark slowdown. In fact when we described in a cleaner Q1 performance we had explained to you last year Q1 is exceptionally slow and that is the reason Q1 this year has taken off in a big way. We have made lot of changes in terms of our pricing strategy, on the advertising side, but we are seeing clearly same store growth in double digits as far as advertising revenues are concerned, new properties also are coming up and kind of taking up the curve as far as advertising is concerned. So we have not seen any concern really on advertising. Cinemax is looking much higher because we are making



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some radical changes to the way we want to monetize that medium and you will see sustainability in these revenues going forward. In fact we believe I think the overall advertising revenues we have been able to deliver in this tough economic environment has been much better than what is happening across the industry.

Abneesh Roy: One followup on that if I see this quarter revenues PVR at 24 Crores and Cinemax at 11 Crores ad revenues that multiple is there further contraction possible so is Cinemax further some more delta available you have now harmonized ad sales team and obviously strategy would have been implemented, but further are you seeing that gap close further?

Ajay Bijli: Previously I had mentioned that one by one we are cherry picking the properties and also converting them into the PVR brand. So the brand perception of PVR is much higher in the market place. The advertisers are much more willing to pay an incremental price, so this is just by changing sound system, projection system, quality of exhibition and also getting PVR sponsorship team on to the Cinemax network and now we will be converting about 10 to 12 properties into PVR in the next six months and there is going to be an incremental improvement in sponsorship ticket price as well as F&B revenues.

Abneesh Roy: One followup on that on the cherry picking what is thought process you could tell us how you are doing the initial part of the cherry picking?

Ajay Bijli: In certain cities like for example if you take Bangalore there is about 5 PVR properties where only 2 properties which are fairly new. That is one criteria that where already there is a critical mass of PVR and only one or two properties there of Cinemax those are very easy low hanging fruits, we are changing them. Second criteria is where it is extremely visible that if you make improvements in projection system, sound system if you make improvements in the F&B counters there is untapped potentials to increase your revenues, so those are other ones. Third areas properties which are in good locations, but they have not been renovated for a very long time, but still demographically they are good and they can perform better we are taking those and everywhere there is return investment criteria that how much should be we spending to bring them up to the PVR standard and therefore what will be the incremental revenue.

Alankar Garude: When do you expect Cinemax migration to complete in terms of brand?



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- Ajay Bijli:** We are in no hurry. As I said it as to be logically done, every rupee that we spend as to give us a return, so probably in the next 24 months or something it is a large circuit, it is called about 38 properties, so in the next 24 months I think the brand will be all PVR.
- Abneesh Roy:** Last question is on the F&B, what we are seeing is discretionary food across about restaurants, branded foods you are seeing big slowdown, in your numbers also it is visible from 31 we are down to 25, so are you seeing that customer is cutting back or is it more the pipeline the movies was not good, do you see the F&B growth kind of out pacing the multiplex growth in the second half?
- Ajay Bijli:** Actually I am very sorry where are you looking at these numbers because whatever numbers I have got in front of me there has been a huge increase in F&B, last year our F&B was Rs.46 per person has gone up to Rs.53 per person.
- Abneesh Roy:** I am saying in terms of net F&B growth, if you see first half our growth is 31%?
- Ajay Bijli:** Abneesh, our business does not work that way. We measure our F&B sales as a percentage of number of people who walk-in. There is number of footfalls who walked in have been lower, so consumption will accordingly be a function of that if you actually look at per percent spending the way we measure our F&B revenue how much is every person who is walking and spending are same store growth in PVR has been 17%, in case of Cinemax has been 5%. I think these are great numbers.
- Abneesh Roy:** But quarter-on-quarter spent per head, are you seeing any deterioration?
- Ajay Bijli:** Per head there is absolutely no deterioration. This has gone up to from Rs.46 to Rs.53 half yearly and from last quarter it is Rs.48 to Rs.57 18% growth.
- Abneesh Roy:** Thanks I will come back if I have more.
- Moderator:** Thank you. The next question is from the line of Mr. Urmil Shah from Kim Eng Securities (India) Private limited. Please go ahead.
- Urmil Shah:** Congrats on a good operational performance and thanks for taking my question. Sir I had couple of questions on Cinemax performance, if you see this quarter has been a bit muted, if you could comment on this same and how do you see it going forward? Secondly last quarter we had indicated that major part of the write off we have already done. This quarter



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we have seen another 23 million of exceptional items. Is most of the write-off completed now?

Ajay Bijli:

I think largely what we are seeing is that I think while a large part of the accounting stuff is done, I think we realizing there are lot of prior period items which has not been accounted for from a cash flow perspective we do not have a significant impact, but I think from a provisioning perspective, I think we will need to carry this provisions and kind of write off some of the stuff. In the current quarter again these pertain to past period expenses which had not been properly accounted for. My sense is I think we should be done with this full provisioning by March 31, 2013. A large part of the provisioning to our sense has been fully accounted, but I think we will get 100% sense of all the stuff by March 31, 2013 effectively about 12 months to kind of fully review everything, but a large part of everything has done. As far as talking about the performance specifically for Cinemax is concerned I think if you look at the numbers in spite of slightly lower box office growth in this quarter we have been able to hold on to decent performance. At operating level we have made certain changes when we acquired the business we realized that they were undercutting lot of expenses on repair and maintenance, security, upkeep of proprieties which we have gone ahead and increased because we believe in the long term and I think some of the decision would be taken earlier where very, very short-term, so I think we are making up those relevant changes and we expect the business will be easily be able to absorb those costs and improvement box office F&B revenue and advertising synergies that we are driving will help us to kind of even gross EBITDA from present level.

Urmil Shah:

Sir specifically on the ticket pricing the Q2 dip would you rated as just the one off?

Ajay Bijli:

Q2 in Cinemax the pricing has largely been flat because of the Marathi film, Cinemax large circuit is in Maharashtra and in case of Cinemax what has happened is that 20% of the total footfalls this quarter came from that Marathi films and accordingly because it was exempt from entertainment tax, the average ticket pricing is reflecting a bit lower, and not reflecting a growth. Secondly, we are transitioning the Cinemax circuit to the same pricing policy which we follow in PVR, which is a weekend weekday pricing and that is the reason it has been lowest, but you will see a big change in Q3 with ticket pricing again moving up bigger films releasing.

Urmil Shah:

Sir last bit of question, there have been news articles that the ticket prices for the big budget movies in Q3 should be 10% to 20% higher, but looking at the pricing for Krrish they are almost same as what they were for Chennai Express, what is your view on the same?



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Ajay Bijli: The way we follow our pricing policy is typically for bigger blockbusters, the pricing is high, so I think in case of Chennai Express the ticket prices were higher than the normal ticket price that we will typically charge in our theater. I think the same would follow for bigger blockbusters like Krrish 3 and Dhoom you would put Krrish 3 and Chennai Express on the same category.

Urmil Shah: Thanks a lot for taking my questions and all the best for the second half.

Moderator: Thank you. The next question is from the line of Vimal Gohil from Sharekhan. Please go ahead.

Vimal Gohil: Thanks for taking my question. Good quarter. Sir we are almost one month into Q3 that is festival season, which is probably seasonally strong, so how has that gone that is question #1 and then I have a followup?

Ajay Bijli: I think October has been a very slow month overall because which is typically every year one month pre Diwali is normally very slow, but I think November and December are going to be big months, there is a lot of bigger films coming up, so except the quarter to be fairly decent.

Vimal Gohil: Just a view on your interest cost where do you see your quarterly in this payments going from here on, but I see there is uptake on quarter-on-quarter basis, so how do you see the quarterly interest cost going from here on and your debt repayment schedule could you just give a broad color on that?

Ajay Bijli: The good news on our debt schedule is that last year we have taken an acquisition financing of roughly about 170 Crores when we had acquired Cinemax. That loan was priced at interest rate of about 14.3%. We complete about one year end of this month, end of November when we have an option to refinance and we have successfully closed our financing for refinancing this debt with a long-term debt of six years, which will come at average cost of about 11.75% and accordingly I think we should see some interest rate savings of about 2.5% over existing interest cost on this loan.

Vimal Gohil: So you see the interest cost coming down from Q4 probably?

Ajay Bijli: I think from Q4 onwards it should marginally come down.



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- Vimal Gohil:** Thanks a lot. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Mr. Urmil Shah from Kim Eng Securities. Please go ahead.
- Urmil Shah:** Sir I just had one more question on based on the early news that Q4 also there could be some big budget movies coming in, so are we also getting a sense that this year Q4 could not be as muted as the previous year?
- Ajay Bijli:** I think as thing stand that is the exactly the way it is looking right now simply because we have now one Salman's film, which has been announced and there are couple of other big films which are being kind of tentatively slated for Q4, but I think we will get a better picture by early December. Last year Q4 was fairly muted because we did not have any big films in Q4 last year, so I think this year Q4 should technically be better than Q4 of last year.
- Urmil Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mr. Vikas Sharda from NT Asset Management. Please go ahead.
- Vikas Sharda:** In your presentation you have mentioned two points regarding Cinemax. One is the ban on the convenience fee in Maharashtra for online booking, so if you could just explain that in more details like how much is convenience fee typically on per booking and roughly how much of your booking is online and secondly you mentioned that there were lot of regional movies in this quarter for Cinemax particularly and there was entertainment tax exemption for that, but I thought average ticket price which you report is net of what you realize, net of entertainment tax, so how does that affect your realization the average ticket price?
- Ajay Bijli:** Just to clarify, average ticket price is not net of entertainment tax. It is reported at a gross level. Our average ticket price is reported as gross, so accordingly for a film which is exempt from entertainment tax, we reduce ticket pricing and in Maharashtra the entertainment tax is 40% so accordingly ticket prices were 40% lower in case of regional film. That is the reason average ticket price for the circuit as a whole looks much lower. On the issue of convenience fee Maharashtra Government has come out with the notification under which they have said that cinema cannot charge a convenience fee for booking tickets online I think we have gone and filed a reputation are in the process of filing a reputation



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challenging that levy because in no other business you can control the pricing or the consumer experience is on additional survey that is not a compulsory imposition on a customer. This is the additional service that we are providing and it costs and so if you see examples of other similar stuff is the Indian Railways' website where you up to kind of pay a convenience fee to recoup the cost of running and managing the service and in Cinemax large part of the circuit as in Maharashtra and PVR also has got a sizeable presence. It has had an impact in terms of not being able to collect that piece of revenue. We typically would charge about Rs.15 to Rs.20 per ticket as a convenience fee depending upon the location of a property.

Vikas Sharda: Roughly what percentage of our bookings in Mumbai for example be online?

Ajay Bijli: Average would be about 17% to 18% would be your online booking.

Vikas Sharda: I got the point regarding the average ticket price which you calculate and report, but when you look at the net revenues of Cinemax they are also Y-o-Y down 4% in the P&L the report?

Ajay Bijli: There are two reasons for that which we have highlighted in our investor update. One is that we actually shutdown one property, which is the Panipat property after we took over and secondly one of the properties of Cinemax the mall had an incident there a fire as a result of which the whole mall was shutdown for almost 2 to 2.5 months during this quarter, so the property was also not operational.

Vikas Sharda: How many screens did that property have?

Ajay Bijli: It had four screens. It was in Pune and it was a very high performing property and it was in a peak period that the mall had some problems so the property had to be shutdown so that had again passed on the revenues as well.

Vikas Sharda: Thank you.

Moderator: Thank you. The next question is from the line of Amit Vora from PCS Securities Limited. Please go ahead.



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Amit Vora: Good afternoon and thanks for taking my question. The first question is about your tax, can we assume that you will have your consolidated taxes around 24% for the entire year or will they have been any change in that?

Ajay Bijli: I think for the current year it will be closer to about 20 odd percent, next year it will go up, current year it should be closer to 25.

Amit Vora: I am talking of the consolidated total Cinemax and PVR all put together. This first half is what we were around 24% so that can come down. That will be the range 20 to 25% is that good assumption?

Ajay Bijli: I think overall is about 20% to 21% I think on a full year basis it should average out to that number.

Amit Vora: The second question is I missed in case you would have said this initial remark, what was the addition of Cinemax screen during the first and second quarter or the first half?

Ajay Bijli: There have been no additions as far as Cinemax portfolio has been concerned.

Amit Vora: No additions there only the seven that you are going to add in the second half.

Ajay Bijli: Yes.

Amit Vora: Third question is regarding your restaurant business. How is it progressing and where are we on that?

Ajay Bijli: The restaurant piece is just opened one restaurant and has been doing fairly decent numbers, but I think it is two initial days which has been opened for about four months, apart from that we have not done much really on that piece I think we have been focused on kind of growing and building the cinema business, so you could say that we are on pause mode there and I think last six to eight months have been a focus on kind of building and scaling at the cinema piece.

Amit Vora: One last suggestion in your investor presentation earlier you used to give very elaborated region wise breakup of all the cinema screens if you can add that that will be great where you look at cinema screen how it has been in each region that is about 8 and all the very best.



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Moderator: Thank you. The next question is from the line of Bhadresh Shah from AM Capital Limited. Please go ahead.

Bhadresh Shah: What percentage of our bookings happened online if you can share that?

Ajay Bijli: It is about closer to 20%.

Bhadresh Shah: What would be the revenue contribution?

Ajay Bijli: 20% of our box office would be coming online.

Bhadresh Shah: Secondly earlier in the call you mentioned that cinemas have made some radical changes to the way advertising revenues are coming in, we have seen that during the quarters and in spite of lower footfalls and advertisement revenues for Cinemax have gone up quite a bit, so could you please throw some more light on what changes have been done and whether there may further scope for even continued growth in advertisement for Cinemax?

Ajay Bijli: Basically for Cinemax one of the things that we observed that they did not get this piece right within the overall revenue pie and they were discontinuing the media bit too much, they have been also have a strong team in the market which had relationship with big brands with whom they could possibly leverage the acquisition, so the PVR historically has always been very strong with this revenue piece and actually this was one of the department that got sort of integrated with the Cinemax team and we went out and the first thing we did was to lower our discounting and look at some of the deals with existing PVR partners to be able to take this yield higher for the Cinemax and that is what you would see technically when Cinemax has shown very impressive growth whereas PVR is looking at a very stable growth within its pie because we were really up there and contributing a lot over the last few years, so you would continue to see this percentage of growth for at least Cinemax part of the business whereas the PVR would also grow very consistently as planned and we are on course of achieve the target.

Bhadresh Shah: Could you missed one last question is there any addition target for screens for next year for FY'15 for PVR and Cinemax?

Ajay Bijli: Next year will be another about 70 to 75 screens additional.



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Bhadresh Shah: Would these be having this PVR because existing Cinemax properties would be converted into PVR?

Ajay Bijli: Overall growth of the combined entity. This year it is going to be about 90 odd screens and next year it is going to be 75, the year after 75, so that is how the growth is looking like opening of the screen.

Bhadresh Shah: That will mean around 150 odd Crores capex by next year?

Ajay Bijli: That is right, roughly about that.

Bhadresh Shah: This will be funded through?

Ajay Bijli: Internal accruals.

Bhadresh Shah: So no increase in that level?

Ajay Bijli: No.

Bhadresh Shah: Thank you so much.

Moderator: Thank you. The next question is from the line of Mr. Ajay Kumar from Capital Markets. Please go ahead.

Ajay Kumar: Two questions, firstly if you could help me with what is your view on the content pipeline for H2 how are you looking at that?

Ajay Bijli: There are lots of films coming. We opened today with Krish and is a very big South Indian film also that is opened, then we have Ram Leela which is coming up then we have Sunny Deol's film, Rajinikanth's film and then Ram Leela, then we got Dhoom 3, then we have Bullet Raja, then we have one more Shahid Kapoor's, 'R...Rajkumar, we have a big Imax whom we call Thought 2 which is coming up. We have Hobbit, which is coming up, so there are some big films coming.

Ajay Kumar: Vis-à-vis H2 last year you are optimistic on the content pipeline right for the second half of this year?

Ajay Bijli: Yes, it is better this year.



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- Ajay Kumar:** What is the capex for FY'14 and FY'15 that you are mentioned I missed that?
- Ajay Bijli:** So I think next year Capex I think we will get a clear guidance only by last quarter in terms of what new screen openings are looking like, but broadly a capex of about 150 to 175 Crores for next year.
- Ajay Kumar:** This year what was the number you are talking about?
- Ajay Bijli:** This year number would be closer to about 175 to 200 Crores.
- Ajay Kumar:** That is it from me. Thanks.
- Moderator:** Thank you. The next question is from the line of Vimal Gohil from Sharekhan. Please go ahead.
- Vimal Gohil:** Just a data point. What would be the occupancy ratio both PVR and Cinemax for this quarter?
- Ajay Bijli:** About 36 to 37% average housekeeping.
- Vimal Gohil:** For both of them?
- Ajay Bijli:** On an average, yes.
- Vimal Gohil:** That is expected to go up in the next quarter the film state that we are seeing?
- Ajay Bijli:** I think it will keep moving depending upon how many properties we open, but I think it should be marginally better in Q3 as compared to Q2 because of a better content pipeline.
- Vimal Gohil:** You said we are ahead with about 75 new screens in FY'15 if I am not wrong right?
- Ajay Bijli:** That is the broad visibility as of now.
- Vimal Gohil:** That is fair enough. Thank you.
- Moderator:** Thank you. The next question is from the line of Mr. Alankar Garude from Edelweiss Financial Services. Please go ahead.



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Abneesh Roy: Again one was on convenience fee. Do you see this also being replicated in other major markets, any risk of that?

Ajay Bijli: I think Maharashtra is really an exception and which is also to be honest quite unrealistic and I think everywhere it is pretty much part of the norm of you are putting up ATM as an extra infrastructure which is created to give this online facility and online convenience fees charged not just all over the world on any online transaction.

Abneesh Roy: Is the peer set also having similar convenience fee in all markets? Is your competitor set always having convenience fee in all markets?

Ajay Bijli: We do not know about our competition because I think the profile of customers that we get is very different, so we believe I think we have much higher penetration on online sales as compared to our competitors.

Abneesh Roy: Sir that would have also impacted your ATP in Cinemax right in this quarter?

Ajay Bijli: It does not impact our ATP because convenience fee does not get added as ATP, it gets reflected separately, but your ability to kind of generate more revenue or make it easily available kind of gets impacted, so you are incurring the cost while in managing that, but there is no revenue, so I think it has an impact on the EBITDA.

Abneesh Roy: Where it is recognized it is part of ATP only?

Ajay Bijli: No it is not part of ATP, it is reflected separately other operating income.

Alankar Garude: In the last one or two years we have been very aggressive in terms of expansion, so two followups on that, one how these opportunities are panning versus expectation any of the properties is there a problem. Second is on FY'15 other retail players are seeing that mall development is coming in a big way, no major projects happening, so is that our experience also?

Ajay Bijli: We have signed up a lot of malls so at least in FY'16 we do not see any problem because new markets are opening up, new catchments are getting more inhabited in various cities, but we believe that after FY'16 some new brands in the retail category are coming in with SBI opening up in retail sector, today only there was an article of H&M coming, there is Uniglow coming, Top Shop, Top Man, some other large international hypermarkets which



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are coming up, so I see that a new set of malls will start coming from FY'16 onwards, so this should not be any problem to get space.

Abneesh Roy: What is the FY'15 target we have?

Ajay Bijli: Very difficult, Abneesh to give a give a three-year forward guidance, because I think it is a function of how much real estate visibility we have.

Abneesh Roy: Why I am asking is would not any mall development takes at least four to five years including clearance everything, would not you take that much as gestation?

Ajay Bijli: I think to answer you we have about 400 new screens signed up for development over next five years, but as in pace of delivery will I think two, three years earlier is very difficult to predict but we have enough pipeline signed up for the next four to five years and that it getting added every year.

Alankar Garude: My last question is on the businesses which we have not really discussed till now, the non-exhibition part of the business if you could tell us how we are progressing in terms of expansion and in terms of Q2 also how we have done?

Ajay Bijli: Well, one business that we have is of the bowling business, there we have about 5 centers which are operating and we have about two more opening this year, one in Chandigarh and one in Ludhiana and that the whole idea was to create more of a retail entertainment impact in any mall that we went to, so that business is unit by unit we are looking at profitability, it is not like a market share business, which requires scale like cinema is, so that is the bowling business and then whereas an F&B business that we have started which is very very small just now and which is also primarily to augment our main business, so wherever we have our high end offering like PVR director cut, PVR gold class, you are not taking any additional spaces from the developer, but converting those launches into a more robust F&B format to be able to deliver better variety of F&B experience and food to our existing consumers, so we are growing about that business in a very cautious way, but our main focus is really in the exhibition business, cinema business only and then of course we have PVR Pictures which is primarily a distribution norm where we are doing about 20 to 30 Hollywood films, one of the last film that we did was Escape Plan, which has done very well, so movies like that which does not otherwise get imported by the big studios, but we pick them up as they are represent by independent studio internationally and that is another



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far business which is 100% subsidiary of the main company, but the main 97% to 98% of the business is really our core within the cinema business.

Abneesh Roy: On the expansion if you could share how we are shaping up there?

Ajay Bijli: As I said this year we have about 90 screens opening. On the non-exhibition as I said it is a very I have already explained that we have two centers only opening on the bulling front and even in the F&B business we are growing very cautiously.

Abneesh Roy: Is it because of the current macro headwinds?

Ajay Bijli: There is nothing. It is just had enough on the **(indiscernible) 37.01** as far as cinema business is concerned that is our core and this plenty of expansion happening here, the quantitatively, qualitatively there is a lot to be done and we believe this is where our focus should be.

Abneesh Roy: Thanks and all the best.

Moderator: Thank you. The next question is from the line of Jigar Shah from Kim Eng Securities India Pvt. Ltd. Please go ahead.

Jigar Shah: Good afternoon everyone and congratulations on excellent numbers for the second quarter. My point pertains to what you have done in the Delhi market in the last few months. I think you bought one property in the tree season the Lajpat Nagar and you have sold the Saket Property. Now I wanted to ask with regard to this particular strategy whether you have such opportunities to carry out in other regions as well. I think in Bombay also you did sell in lease back with one of the properties, but are there in the universe of Cinemax as well as the PVR Properties other such opportunities?

Ajay Bijli: Just to clarify there I think in order to buying and selling of real estate we have not bought 3C's we just taken it on a long term lease. I think both Phoenix and Anupam properties where acquired because when we are doing these opportunities there was no other way to kind of get these locations and we felt they were strategically extremely important to the geography or the marketplace where we are sitting, so we had to acquire these real estate properties, but the plan always was that I think at some point of time we would get out of real estate and kind of focus on the operating part of the business, so as I now we do not own anymore real estate.



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Jigar Shah: But the 3C's what obviously I understand it is not property buying, but that was an existing thing that you know now you have branded is PVR that is what I am asking that you know in India there are so many other theaters which are in very sort of debilitated state, would there be opportunities like that for PVR to capture?

Ajay Bijli: You see most of our growth is happening in malls, which new malls are coming up, but yes there are sometimes properties that we come across like we found this 3C's to be quite an attractive property it has been built new, so we found that to be an attractive property. Similarly in Bombay, Calcutta, Bangalore there could be opportunities where we may find either single properties like this or we may find a multiplex which is available on a long lease basis, so we have in our growth strategy very much properties like this in the radar.

Jigar Shah: That answers my question. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Mr. Gaurav Aggarwal from Globe Minerva Fund. Please go ahead.

Gaurav Aggarwal: In terms of the advertising revenue can you give us the breakdown on the growth volume and the pricing?

Ajay Bijli: It is difficult to quantify volume and pricing. Every cinema operates on a different pricing basis of the location, the locality and the kind of consumers that we galvanize in the size of the auditorium. The average across we consume close to about 16 minutes advertising across the board during blockbusters and this number would come down to about 7 to 8 odd minutes during non-blockbuster film.

Gaurav Aggarwal: What is the pricing?

Ajay Bijli: The pricing could vary between say Rs.50000 to run a 22nd commercial to upwards of say 2.5 to 3 lakhs for running commercials.

Nitin Sood: The price variant between every cinema is very huge it is depended again on the location strategy so it is completely driven again by location strategy and product packing strategy.

Gaurav Aggarwal: But you do not provide the breakdown across the sector, the pricing growth.

Nitin Sood: I think that is the key to our business I think we do not share that.



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Gaurav Aggarwal: Did not you think the footfalls have come down by 4% per staff and pricing is up 6 ATP on a comparable basis, do not you think that the pricing increases impacting the footfall?

Ajay Bijli: Not really simply because we measure footfalls very, very closely per location for every content and in fact in every market we now follow a strategy of first understanding what the consumer wants and be able to cater to all consumers within the certain location. so we are playing the same films on the given base here Thursday in North, Wednesday in West and on Tuesday in South at a prices which is comparable at 75 to 100 and the scene over the weekend where we get the family crowd at a much higher rate so technically by playing this variable pricing game we are able to sort of cater to all segments across and being able to extract the best outdoors.

Nitin Sood: As we have mentioned earlier I think Q2 footfalls have largely been lower on account of content pipeline as compared to Q2 of last year. I think apart from that we do not see any other.

Gaurav Aggarwal: Even the first half footfalls are down by 4% comparable basis on the comparable properties.

Ajay Bijli: I think they are largely down because of Q2 as we mentioned, they have been down because of the content pipeline and that is key reason why footfalls have been low.

Gaurav Aggarwal: Last question on the F&B do you see more upside, I know you have been thinking with all of stuff, but do you see a lot of tinkering with a lot of stuff, do you see a lot of room of growth ahead for that?

Ajay Bijli: Of course there will be some more upside because we are now looking at increasing the strike rate in our business. SBH is one measure and food pricing is one, but on the other we can now look at getting more people to convert at our stores at the candy so clearly now the entire teams over the next few quarters are going to be focusing on looking at ways and means to get more consumers hitting the concession, so yes we could look at some more upside on the gross.

Nitin Sood: We are introducing variety new products even popcorn flavors keep changing, lot of kiosks we have added in our new properties which have added to the F&B income, so lot of effort is being put to increase the F&B income.

Gaurav Aggarwal: Thank you congrats.



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Moderator: Thank you. Last question is from the line of Mr. Yogesh Kirve from Anand Rathi Securities. Please go ahead.

Yogesh Kirve: Thanks for the opportunity. Sir we would have added about 66 screen in the last 12 months in the PVR, so what would have been the total addition in the market during the same period?

Ajay Bijli: Overall about 250 odd screens get added in a year and out of which about say 90 are PVR, so if we put all 40% to 45% would be PVR, but that is the kind of growth India is having just now on a macro level.

Yogesh Kirve: Going ahead should not our market share be higher when we talk about 400 screen addition over the next four to five years, should that represent a slightly higher market share than what we are currently doing?

Ajay Bijli: It was difficult because the others also who are moving. It is difficult, but I think it will be maintaining or maybe it will become a little higher over the existing levels are.

Yogesh Kirve: Looking at your first half financial of PVR and the EBITDA margins are about 18% to 19%, is it possible to give a breakup in terms of the margins for the established business, established screens and the newer screens, the way you should do sometime back?

Ajay Bijli: We do not share that, but obviously margins for established screens will be marginally better than the screens which are not yet fully operational, so you do not share cinema wise breakup, but yes average margins for as we have mentioned earlier average ROCEs for property which are matured, which are more than three years or upwards of 25% I think that continues to remain.

Yogesh Kirve: Finally what is the time period which is typically involved in new screen to mature and reach the margins of the established business?

Ajay Bijli: It is very location specific depending upon which catchment we are opening, average we would see is about 18 to 24 months, but it really varies, some properties can mature, can stabilize in six months. We opened a property in Chandigarh this year. It hit ground running from first month onwards. It is delivering a fabulous margin for us from day 1. Some screens takes slightly longer, but average about 12 to 18 months is what we have seen specifically stabilization period for a screen.



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- Yogesh Kirve:** That is all from me. Thanks a lot.
- Moderator:** Thank you. I would now hand over the floor to Mr. Nikhil Vora for closing comments.
- Nikhil Vora:** Ajay just wanted your thoughts on how do you see the entire migration of PVR from here on. We obviously done a fantastic job of being a leader, exhibition guys and so on, but is there a way forward, which one should understand over the next three to five years, about how from here on one should look at PVR. The content will always remain volatile and variable so is there form of linearity which this business can evolve into over the next three to five years?
- Ajay Bijli:** In India I think there is a huge opportunity for kind of building up the whole exhibition space. When we go out and compare ourselves with the global benchmark in terms of what is happening in other mature markets we see I think India hugely under screened. The level of opportunity in India is huge. We have got a very strong domestic box office industry which is not therein lot of other markets, which primarily rely on Hollywood, so some of these factors work tremendously in our favor. If you look at a mature market like US which is almost 30 to 35 years old in terms of multiplex development, even there we are seeing 3% to 5% growth in box office over last two to three years and in spite of multiple entertainment options being available in that market, I think box office is still sustaining. Theatrical continues to be the most important piece for film studios. If you look a market like China they are adding about 3000 to 4000 screens every year and China the market which is extremely high on piracy so when those guys are seeing huge amount of potential for growth in the theatrical consumption, so we believe I think it is a great opportunity in India. I think we are actually a retail business, raw material that we have to cater and reach out to our consumers but there is a great opportunity to kind of go across the length and breadth of this country be in every market and give us cinema, going great cinema, going experience to the consumer. India is still about 7000 screens, most of the mature markets across the world have almost 90% of the screens are multiplexes. So India will see a huge amount of replacement capacity growth over the next five to seven years and I think for us it works well as a business.
- Gautham:** Always we strongly believe in which is something that we are now also seeing this happen right at the ground that multiplex growth is also propelling content growth, so technically if you look at now in Chandigarh, Punjab, this entire belt is now being fueled by the local content now which is being made lot more than what was happening a couple of years back. We believe that with the advent of more multiplexes, better movie experience and given the



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culture of India and various languages you will see a lot of local content coming up and this is the huge advantage that India has because technically down south people consume content from five different languages even in place like Delhi there are three languages which people consume, so again like in Q2 we had a big hit called Duniyadari, which is a Marathi film never before a Marathi film did that kind of business, so technically I think one will push the other, once the infrastructure grows it is not that we will continue to just lean on Bollywood. It could be the local content, Hollywood every piece pulling in to make sure that eventually that India which is the entertainment starved country will possibly get propelled with this growth.

Nikhil Vora: Thanks everyone on the call. A special thanks to the management at PVR for being on the call. Thank you.

Moderator: Thank you. On behalf of IDFC Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.