



“PVR Limited Q4 FY'16 Earnings Conference Call”

May 30, 2016



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Moderator: Ladies and Gentlemen Good Day and Welcome to the PVR Limited Q4 FY'16 Earnings Conference Call hosted by Motilal Oswal Securities. As a reminder all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note, that this conference is being recorded. I now hand the conference over to Mr. Niket Shah from Motilal Oswal. Thank you and over to you, Sir!

Niket Shah: Thanks, so much. We at Motilal Oswal are extremely pleased to host this concall on behalf of PVR Limited. We have Mr. Ajay Bijli -- Chairman cum Managing Director; Mr. Sanjeev Kumar -- Joint Managing Director and Mr. Nitin Sood -- CFO of the company with us today. I will request Ajay for his opening remarks and post that we can open the floor for a Q&A Session. Over to you, Ajay.

Ajay Bijli: Yeah, thanks very much. Good afternoon, everyone. Thank you for taking the time out for this call. I will give you a quick snapshot of the Q4 and the full year FY'15-FY'16 numbers before we get into Q&A.

The consolidated revenues for Q4 were Rs. 419 crores as compared to Rs. 301 crores in the same period last year which is up by 39%. Consolidated EBITDA for the quarter was Rs. 52.9 crores as against Rs. 12.7 crores in the same period last year, up by 317%.

For the full year the consolidated revenues were Rs. 1,897 crores as compared to Rs. 1,486 crores in the last year which is up by 28%. EBITDA was Rs. 358 crores as compared to Rs. 209 crores in the same period and EBITDA margin was 18.9% as compared to 14.1% in the last year, this is up by 71%. Our PAT this year was Rs. 119 crores as compared to Rs. 11.6 crores last year.

The footfalls for the full year also increased by 18% to almost 70 million against the same period last year and for the quarter the footfalls increased by 26% to 15.3 million for the same period last year. And average ticket price almost increased by 9%, food and beverage showed an amazing growth of 50% over the corresponding quarter and the average spent also increased by 18%. Even sponsorship revenues increased by 19% and which continues grow as we have got into this year as well. We added 52 screens and become the first chain to cross the 500 screen mark.

This year also April and May has started of quite well we have had movies like Ki & Ka, some good Hollywood films like Kung Fu Panda, The Jungle Book, Captain America: Civil War, Baaghi and a very good Marathi movie Sairat, they all have shown amazing performance and I think the momentum is going continue. We have June, next week only Housefull 3 releasing,



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then Te3n, Uda Punjab, Salman Khan's Sultan, then Hrithik Roshan's Mohenjo Daro and then Rustom. And of course, later we got Dangal. So, good line of movies throughout the year.

So, currently, we are operating for 524 screens spread over 104 properties and 47 cities and with the revision of DT Cinemas when it does happen soon we will have 556 screens. Over and above the organic growth continues to remain to the extent of 60 screens to 65 screens every year and this year and the eight screens already have opened this year.

So, over to you for any Q&A. Thanks very much.

Moderator: Thank you. We will now begin with the Question-and-Answer Session. The first question is from the line of Rajiv Berlia from Edelweiss. Please go ahead.

Abneesh Roy: Sir, this is Abneesh here. The ad revenues have grown at 15% comparable so, could you tell us for FY'17 how do you see growth numbers because e-Comm I think will collect a lot, how big is the e-Comm for you? So, could you take us through how you are looking at FY'17 in terms of ad growth?

Management: The e-Commerce, e-Comm guys who are spending on advertisement.

Nitin Sood: Yeah, so technically we have a fairly decent size of the e-Comm as well we close to about 10% of our total revenues account for advertising coming in from those guys all put together various businesses and we see that pie growing. Now coming to your question how do we look at this year of 2016-2017 pretty much on the same lines of what we have done in 2015-2016, we are fairly confident and we are already on path of achieving the similar growth in this year.

Abneesh Roy: Sir, okay ATP do you take price hike in the first quarter because last year from Q4 to Q1 you saw a very jump from 171 to 188 this I know it depends upon the 3D movies, English movie, Hollywood, et cetera. But now with fairly high ticket price 182 where do you see for the full year ATP how much percentage?

Nitin Sood: Technically we every year look at about between hovering around 3% to 5% and I think this year is going to be no aberration and we are very much on path of being able to achieve that. It does not necessarily always mean that this would take prices up for consumers we look at those bands which, so if the highest band does not go up we have to look bands where we can get more footfalls and say ticket pricing up marginally.

Abneesh Roy: Sir, is Q1 looking a bit weak April May has gone initially there was more optimism because your base in Q1 is reasonably high, so is it looking a bit weak, there is a one month still left but based on whatever is it lower than expectation?



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- Ajay Bijli:** Actually not really, Q1 has been a fairly decent quarter when we started the quarter we would always acknowledge the fact that Q1 last year was one of the best quarters so, it was difficult to replicate the Q1 that we achieved this year and this year Q2 and Q3 line up is far better as compared to Q1. But Q1 turn around to be fairly decent quarter up till now. It may have been a bit we were expecting May to be a bit slow but regionals films have kind made up for the loss in April the Shah Rukh's film was not doing well.
- Sanjeev Kumar:** but The Jungle Book really took over from where Fan left so, technically just for your information The Jungle Book is the third highest grossing film ever for us. So technically The Jungle Book really covered up for any in fact gave us surplus footfall if we were to look at what we had budgeted for The Jungle Book and Fan put together. And then Sairat coming in this month as well has really given us a brilliant footfall run.
- Ajay Bijli:** Captain America. So, I think overall Q1 is looking fairly decent but I think the outlook for Q2 and Q3 given the pipeline of films this year is also looking fairly good. So we are hoping for a decent quarter.
- Abneesh Roy:** Sir, on clarification here, you said The Jungle Book the third highest in Hollywood or both combined Hollywood, Bollywood combined?
- Ajay Bijli:** Hollywood and Bollywood combined.
- Sanjeev Kumar:** For us it has been Hollywood and Bollywood combined. It is the highest grossing Hollywood film for all times in India, but for us I think it is not highest grossing film in our circuit.
- Abneesh Roy:** Sir, one last one there was this news flow of this Chinese company Honda **(inaudible) 8.50** looking to enter India, this sectors seem huge M&A and consolidation last three years - four years. Now do you see a large international player entering and posing incremental competition to you or you see number one player, number two player taking up everything so, nothing much is left?
- Ajay Bijli:** So, you see they also have to go through the same thing that we have gone through. We are an established brand, people recognize it our brand and there are x numbers of mall and shopping center which are coming up. But we have not seen already there are four players in the market and who are aggressively competing with each another but this another player comes in we have to start from zero base, so we do not see anything change it is large country we are still very under screened and we are joined with real estate industry, more shopping centers, more malls will come and that will see growth happening.
- Moderator:** Thank you. The next question is from the line of Prasad Padala from Investec Capital. Please go ahead.



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Prasad Padala: So, my first quarter is regarding the ARPU like I see year-on-year it has gone up by 8% and also I think may states have actually increased their Entertainment Tax. So, net-net I think it would effective increase would be around 10%-11% so, do you feel that it is a sustainable like price increase like what is the guidance for next year? How do you see the ARPUs going up?

Ajay Bijli: Are you asking about the ticket price increase?

Prasad Padala: Yeah, ticket price, right.

Ajay Bijli: I think my colleague Gautam gave the guidance that I think our average ticket pricing growth is largely in line with inflation and if you look at our last five year CAGR history, we have normally track that and we expect between 3% to 5% ticket price growth this year in line with inflation.

Prasad Padala: Okay, sir, last year I mean is there any specific reason that it has gone up by 8% or....

Nitin Sood: It has actually gone up overall 7% on a **(Inaudible) 11.05** basis but I think it vary, so there is no specific reason as such I think the only big difference is that Delhi saw a big tax increase last year and we had to increase prices in Delhi by a much larger proportion to cover up for the tax increase which I would say is a onetime event and that is reason you are seeing a slightly higher growth on the average ticket prices last year. But leaving that aside our average ticket price growth is largely in line with inflation.

Prasad Padala: Okay. So that you are talking about the net price increase, right, the 4%-5%.

Nitin Sood: There is a gross ticket price the way we reported it is gross ticket price.

Prasad Padala: Right. I mean but if I look at in the last year the gross ticket price is around 10% to 12%, the taxes as well.

Nitin Sood: Not really you look at the investor update it is available on our website we have given the details of the average ticket price increase.

Prasad Padala: Okay, sir, fine. And one more thing the employee cost actually went about 30% compared to screen growth of around 11%. So is the employee cost per person has gone up substantially per screen basis?

Nitin Sood: Not really so, one we updated in the last quarter that one we have added 52 new screens this year and there were a lot of 70 new screens which we opened in the middle of previous year so, you are seeing full cost of those screens as well as the new screens that we have added apart from that I think the change of bonus provisions this year we have provided for incremental bonus that becomes due and payable because it has been implemented with



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retrospective effect so, on annual basis that impact is alone in the financials is about Rs. 7 crores to Rs. 8 crores in which we updated some of it large part of it was coming in the previous quarter and some of it we additionally accounted for in this quarter.

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

Jay Doshi: One, will there be any impact of adoption of IndAS to your financials? And can you also explain us you know this operating this to financial changes and how it has impacted CAPEX net debt?

Nitin Sood: Yeah, I think IndAS has been in the process of transitioning Q1 number will be reported with the IndAS the revised Accounting Standards that have come into play. There will be few changes which will largely be in relation to classification issues of line items above the line and below the line. One we think that we expect is that we have to calculate the present value of security deposit check. But on annual basis I do not see any major impact in the financial results. We are working with E&Y right now on that transitioning but I do not think it is going to have a very significant or material impact there will be some re-classification in the overall financials but on annual basis I do not see the impact to be mitigate.

Jay Doshi: Understood. And this operating lease to financial lease changes that you have made?

Nitin Sood: Yeah, so essentially I think it is a classification issue, what we have done is that we have been buying projectors on a lease basis, the auditors have decided that it should be classified as a finance lease and we will classify that as a financial and accordingly I think that the cost is getting reflected in the interest and depreciation instead of running....

Management: Instead of the rentals, it is now reflecting in the finance cost and the depreciation, so both stand to increase with the revised revision.

Jay Doshi: Right. So what was the CAPEX excluding this for the full year?

Nitin Sood: Approximately Rs. 200 crores.

Jay Doshi: Understood. So the difference in net fixed assets that we see the balance should be attributable to...

Nitin Sood: Entire....

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



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Yogesh Kirve:

Sir, with regard to average ticket pricing there are broadly two arguments one which particularly says that people will come to the movies regardless of the pricing and other argument is the fairly this may hold for handful of movies but there would be a lot of films where the elasticity can play out. So, just wanted your thoughts on this.

Ajay Bijli:

First of all, you need to understand that yes, you are right that there is certain elasticity with certain films however we have been working on a strategy where we have been tracking consumer behavior pattern across price point and we realize that there is traction within the minimum band they not be so much within the maximum band but there are prices correction and you know we can take forward in category A, category B and category C cinema. So, A cinema category A was what we call the platinum cinemas show a lot more elasticity in terms of pricing, B category works on different level and then C category on a completely different level so, it is not one size at all so this 3% to 5% indication that we are giving is not uniform and does not come across all bands all cinemas. So this is carefully crafted in a manner that consumer still finds movies to be the most preferred option and no juncture given the profile of the customer and ATP is a deterrent

Yogesh Kirve:

Right, fair enough. And second question is in FY'16 we are seeing at least in the first-half of FY'16 there was a bit of slow in the screen additions and now if you look it we are seeing a fairly aggressive commentary in terms of the screen addition which are being talked about by your peers in the analyst space as well. So do you read this as a change in the outlook which is as regards to the shopping mall launches would you not read too much into it.

Ajay Bijli:

So we opened 52 screens last year and the outlook that we have given is for 65 screens this year so, it is fairly you know within the same range, we have not given a very aggressive you know sort of opening plan, and this is in line with a number of shopping centers definitely which are coming up and the overall growth of the you know real estate market. So it is pretty much how is the growth is happening close to about 200 odd screens are opening in a year and PVR has always been very careful about where we open? We do not like to open screens anywhere and it is not just about screen count it is the right location and right destination so keeping that mind this is fairly realistic opening plan.

Yogesh Kirve:

Sir, but based upon your assessment of the economy and general discussion which are going within the real estate industry. Do you anticipate any acceleration of screen launches in coming years compared to last year?

Ajay Bijli:

Yeah, I mean you know as I said real estate industry and retail industry both play an important role because most of the cinemas are housed in malls and shopping centers now. So now when you look at announcements of big brands coming in you know IKEA is coming, H&M is getting aggressive Forever 21, Gap, a lot of new brands are coming in and these brands will definitely make way of they also want to be housed in shopping centers so, I definitely see a



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growth that is going to happen and even smaller cities they are also seeing organized retail coming up Tier-II cities, Tier-III cities, so I definitely see some momentum positive momentum happening.

Moderator: Thank you. The next question is from the line of Swati Madha from East Capital. Please go ahead.

Swati Madha: My question is regarding F&B spends ahead, I just wanted to get an idea of how much more room is there for it to grow as a percentage of average ticket price?

Ajay Bijli: Actually the way we decode SPH is very different, we do not see it in relation to our pricing because clearly the mandate given to the F&B team is to look at format so, eating, be it food court or restaurant so, we see that it could even at given point in time as high as 80% to 100% of the ATP value so, and that is how we would want to innovate and sort of keep growing within the F&B space we see the consumers really wanting more choice and better quality product, they really want to make the best of the three hour holiday that they get at our cinemas and we want to give them the very best because of which we believe that SPH is has enough more room to grow.

Swati Madha: So, would you say that you expect similar growth in SPH too or may be a higher growth?

Ajay Bijli: Yeah, it will be in the region of about 10% to 12%.

Swati Madha: Okay. And can you just quickly mention what was the kind of new things that you are doing in the space or innovation of such bringing in this space to increase SPH?

Ajay Bijli: Yeah, we are launching organic popcorns, earnings are getting into in-house coffee and juices formats, we are getting into some steamed products, we are getting into new merchandize concessions for kids alone so, there is enough and more happening around that, yeah.

Swati Madha: Okay. And my second question is regarding can we select your screen count among Tier-I cities versus Tier-II cities, Tier-III cities and get some comparison on ATP and spend per head et cetera in this classification? Just want to see because the next leg of growth is I think going to come from the Tier-II cities and Tier-III cities, right screen addition wise.

Ajay Bijli: Currently we have about 283 screens bulk of our screens in Tier-I, about 181 odd screens are in Tier-II and Tier-III about 60 screens. Going forward I think bulk of our...

Management: Almost 50% of our growth for the next five years would be coming from Tier-I cities only. So effectively five years down the line this number would have change much, so 51%-52% would continue to be from Tier-I cities as well. So, a lot of expansion is happening in southern part of India in Tier-I cities and so this ratio would not change much in the next five years as well.



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- Swati Madha:** Okay. But can we get some metrics in general for ATP and F&B spend per head comparison between Tier-I and rest of the space...
- Ajay Bijli:** See we can only share broad statics we are not willing to share specific numbers around each of our markets. Broadly just to give a perspective I think Tier-I average ticket pricing is about 200 bucks. For Tier-II average ticket pricing is almost about 50% discount and Tier-III will be half of the Tier-I, so that is the broad ratio of how a ticket pricing is structured.
- Swati Madha:** Okay. And in the southern markets with this regulated average ticket price do you really think the occupancy will compensate for the lower ticket prices?
- Ajay Bijli:** Yes, it does because the market is very under screened so, as of now it is completely compensating for the same.
- Moderator:** Thank you. The next question is from the line of Chitragda Kapur from Sameeksha Capital. Please go ahead.
- Chitragda Kapur:** So I wanted to understand in detail about this lease agreement that you have for buying off the equipments the projectors and all, if you can just highlight that a little bit?
- Ajay Bijli:** Yeah, so instead of buying the projectors upfront we buy through a leasing arrangement through a leasing company that is the sample nature of the agreement and we pay them lease rentals for the same.
- Chitragda Kapur:** So has there been any change in the contract between you and the leading company?
- Ajay Bijli:** No, till now we were directly buying from the equipment manufacturer, now we have started buying a third-party leasing company so, we have structured and got a better deal and that is the reason for infrastructure as a financing.
- Chitragda Kapur:** Okay. So my understanding is that there are two kind of projectors that you are using in your screens, one is for your Hollywood which is probably the decent amount so there is a sunset clause that is now going to come into effect very soon by FY'18 or FY'19 so that going to have any impact on you?
- Ajay Bijli:** Nothing material, first of all you need is one projector which is D-Cinema projector and yes Hollywood sunset clause is going to come in to effect but that is not going to have any material impact on our financials.
- Chitragda Kapur:** Okay. But why is that sir?



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Ajay Bijli: Because in the first few years of our leasing agreement we were not paying, we were anyway not paying any lease rentals and we had given away our VCF rights in lieu of buying those projectors so, we were not accruing for any income so, we will continue to not approve for that income.

Moderator: Thank you. The next question is from the line of Rajesh Valrao from Perfect Research. Please go ahead.

Rajesh Valrao: Sir, I have few questions. Yeah, the first question is you said regarding Hollywood, you got the distribution for Hollywood movies right?

Ajay Bijli: Yes.

Rajesh Valrao: So I think in our distribution how do you go which Hollywood movie to distribute and what is the potential loss which could occur from the strategies and the second question is regarding your lease rentals. At the time of cinema lease rental come for renewals and competitor company come and pay and take the property by paying more, how did **(Inaudible) 27.16**?

Ajay Bijli: I think I will answer your second question first. I mean all our agreements are long-term agreements and once in a while our brand is established you know developers and talents they all see the benefit of having PVR at least we have not had any situation that even if it does come for renewal then there is any problem, I mean because if you pay your rent your time, if you perform, if you get footfalls, if you renovating your property, upgrading for technology and everybody is happy. And in any case there is increments that happens the escalation clause which are put in place, of rent increase every three years so, you stick to those agreements and there is no problem. So that is the question answer to your second question, the first question we have got our CEO for PVR Pictures, Kamal Gianchandani on the line as well and Kamal, if you can answer that question about PVR Pictures?

Kamal Gianchandani: So we follow a unique model of acquiring Hollywood films for distribution purposes the point to I think highlight is a fact that we take all rights, it is not just a theatrical performance but it is also the television rights, the digital rights and all the other new technologies which are emerging our new platforms or formats which are emerging, those rights also come to us and these are typically deals panning over 10 years to 15 years so we get the rights for a very long period of time. The other point I like to highlight is that we have been doing this for last almost I recon about 17 years - 18 years. So we already have a library of close to about 250 films which in terms of IPR, the most part of the IPR the acquisition cost has been written off and this library of 250-odd films also continues to contribute to our top-line as well as bottom-line because new SVOD platform, new VOD platforms and many other formats keep coming into existence and they all need content, so our strategy is quite unique. We take all rights. We take for the long period of time, we have a big buffer of about 250 library titles and lastly, I will



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like to say is that for the independent Hollywood films so basically all Hollywood films which are produced outside the studio set up they are referred to as independent Hollywood films, we dominate that market place to the extent we control almost 90% of the films that come into India they come through PVR Pictures which is the distribution arm of PVR Group and because we have a very strong and a very robust presence in the Indian market and the subcontinent the prices at which we get the films are fairly competitive. So these are the factors which contribute to mitigation of risk and ensuring that we have a consistent pipeline of profitable films which come into PVR ecosystem for distribution purposes.

Rajesh Valrao: Okay, sir. And sir, the next question is apart from movies, do you have any plans to screen sports and other entertainments like IPL Match, Badminton, other functions like that?

Kamal Gianchandani: We have been doing that often on in the past and not just sports but we have also experimented with alternate activities such Opera, we have played theater, English theater in our cinemas these were recorded events. So these are experiments that we continue to work with. But as my colleague pointed out some time back India is grossly under screen market and at this point in time the large focus, the prime focus is on screening movies at our theaters. That said, we continue to experiment, we continue to look at the other opportunities that come our way.

Rajesh Valrao: Okay. Sir, one more last question, sir, your restaurant BluO as a concept is very attribute by Indian public so, what are your thoughts on further expanding with this franchise BluO?

Management: We have more one more center that is coming up in Jalandhar which will open by December this year.

Ajay Bijli: Broadly I think there are no major growth plans for that business I think we will sustain where we are present and may be add one center or two more centers where we are committed and the focus will largely be on expanding the multiplexes.

Moderator: Thank you. The next question is from the line of Amish Kanani from JM Financial Services. Please go ahead.

Amish Kanani: Sir, this year we saw a fair bit of cricket season competing with the movie business as usual, but the point that I wanted to tap your brain was the Q4 saw the World Cup Cricket event competing with our Q4 and we have had a good numbers their despite the World Cup Cricket event competing with us and vis-à-vis that this IPL this season you are indicating that even despite the last year's very good base which also of course last year was IPL competing, we seem to be doing well. So, the point is how do you see these tail of two halves of cricket to access our performance and the lined up movies that are being started to kind of hit the market which is helping us to do this? So, my point is, is it that there is too much of cricket this six months and hence, less **(Inaudible) 34.16** of cricket and it is an unusual year or this trend would continue is this what also I wanted to know, sir.



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Ajay Bijli: While see India is an entertainment starved country, they say there is only films and cricket to really feed on. So what we have seen over the years these two content pipeline I will call cricket as one pipeline, there is enough and more for both to feed very-very comfortably and now, once some people came forward and experimented with releasing movies around a very healthy cricketing schedule and calendar they realize that people have enough and more hunger to be able to go and watch the film. And also over the years with the game shortening up with only 3 hours – 3.5 game now, we have seen absolutely that there has been no impact at all. And more and more producers are coming forward and releasing their film and are just not affected at all with the cricketing calendar. In fact, if you see now Bollywood have started to use a cricket platform to launch their films so much more effectively. So I think there is enough room for both to co-exist and grow very-very easily.

Amish Kanani: Okay. Is there any specific observation vis-à-vis say last quarter and World Cup for us competing versus this quarter IPL where probably the TRPs were not good?

Ajay Bijli: Not really, World Cup is still a different sentiment, it is sort of gathers a little more momentum than IPL, IPL absolutely has no impact on our business. World Cup is a once in a four year phenomena and they do, after the quarter finals it did have a little impact over the three days or four day of the tournament but beyond that there was not anything.

Amish Kanani: Okay. So sir, in that context your Q4 looks commendable, right?

Ajay Bijli: Yes, yeah.

Moderator: Thank you. The next question is from the line of Gagan Thareja from Kotak Investment Banking. Please go ahead.

Gagan Thareja: Is there any ballpark guidance that you could give on Entertainment Tax and film hire charges for FY'17? Entertainment Tax this year has actually increased film hire in Q4 is higher Y-o-Y?

Nitin Sood: Yeah, so I think Entertainment Tax increased last year on account of change in Entertainment Tax regulations in Delhi starting July and there will be a marginal impact I think in Entertainment Tax this year on account of Delhi because of course three months to four months Q1 will see an impact did not capture that last year. But beyond that we don't see any major changes in the Entertainment Tax as well as film hire.

Gagan Thareja: Okay. And the second question pertains to occupancy, would occupancy be completely driven by the content or do you also feel that over the last year or two the new screens that you have added irrespective of the cinema content could ramp-up in occupancy and therefore, we could see an occupancy number higher because I think last year was an exceptionally good one for you in terms of occupancy.



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- Ajay Bijli:** So, if you look at our last five year average we have achieved a 34%-34.5%-35% occupancy this year. 2012-2013 also we did a similar number, 2013-2014 was marginally lower and I would say 2014-2015 was a weaker year in the overall cycle. So, I think we have come back this year. And I think this should sustain, new property additions will keep making some marginal impact but I do not think they will change the overall picture but our focus is really to be located at right locations, to build the right products, being good shopping center and that is the key driver for occupancy and when you compare us with any of our competitors, I think you will see big difference in our occupancy number driven by a combination of these things?
- Gagan Thareja:** So, I mean your average five years - six years occupancy if you got the number right is around 31% to 32% this year would have north of 34%.
- Ajay Bijli:** If you look at 2012-2013 it was 35% again, if you look at 2013-2014 it was about 32% to 33%, 2014-2015 was a year when it touched upon....
- Management:** In fact on the macro environment if you were to see the focus is really shifting from only blockbusters to good films. Regional films have started to play a very important role as well. So even consumers have started to now at stories and plots rather than just stars and big films and augurs very well for our industry.
- Gagan Thareja:** So I mean 34% is a comfortable number to work with for....
- Management:** Yeah, largely within that vicinity.
- Gagan Thareja:** Okay. Also is it possible for you to give the revenues generated from convenience fees and sale of film rights and dolling revenues for the year, how do you see them growing?
- Nitin Sood:** All other businesses put together contribute roughly about 5% of our overall revenue so between PVR Pictures and BluO overall revenue contribution will roughly be about 5% to 7% of our turnover. And convenience fees income is about 2% of our overall revenue roughly about 2% of our overall revenue.
- Gagan Thareja:** Okay. And do you see this also this stream although small but do you see it growing at 15% odd more for you?
- Ajay Bijli:** Yeah, it is growing faster than that pace.
- Gagan Thareja:** And on the balance sheet side, for funding your CAPEX would you need to take recourse to more debt or you feel the debt to equity or absolute debt numbers can be remain where they are?



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Nitin Sood: No, I think we do not see any increase in leverage at overall balance sheet level, we are fairly comfortable leverage and I think as the earnings improve and we start getting more free cash flows some of this leverage will also come down over a period of time.

Gagan Thareja: Okay. Any roadmap for that sir, if one could work on?

Nitin Sood: Not really, I think, our expectation is that I think this year leverage will remain constant we will be repaying down from debt but we will also be marginally taking from debt to complete the DT acquisition so, I think leverage number will come down marginally but from a debt-to-EBITDA perspective I think there will be further reduction and I think as the free cash flows starting giving we will be starting to pay down debt over other lifecycle over the next two years - three years so, that should keep coming down.

Gagan Thareja: And finally, tax rate effective tax rates are going to remain at full marginal tax rate?

Nitin Sood: I think we have kind of all the tax shield that we ad on the brought forward losses is over. So we will be accounting. We will still be paying MAT but we will be accounting for on a full tax rate and we creating a deferred tax liability in our books.

Moderator: Thank you. The next question is from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Just wanted to understand in the advertisement industry per se, if you look at your competitor's results I think they have shown flat to de-growth kind of a number as far as the advertisement revenue is concerned. So, is it possible to highlight what exactly is happening in market have they taken prices significantly higher that you have gained market share or you what is exactly happening there?

Ajay Bijli: Actually I am not in a great position to sort of comment on what they have done right or wrong, I can just tell you that PVR has been the leader within the space and invested a lot more since a decade now. We have stronger teams, we have stronger entrenchment and we have built cinemas wherein we got a much better set of audiences to our cinema and that was very well-marketed to the corporate world. I think we just enjoy the fact that we have been having a head start over this and the way we manage the campaign, the whole evaluation process for clients getting them sponsorship deals looking at a lot of other things. So, PVR technically has a premium over competition today in any media plan that goes in the country. PVR will enjoy at least a 30%-40% premium over competition in terms of rates and much more in terms of the share of the overall spends that will come to PVR versus any other chain in the country. And people recognize that because we deliver both volumes as well as value to them. Volume in terms of the highest footfall and value in terms of the most premium audience, so technically, PVR is measured as a gold standard within this media space.



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- Niket Shah:** Sure. The other question was on the DT acquisition part of it, when can we expect some clarity and in case if you know the revised transaction goes through, is it safe to assume that from Q2 onwards you should see the consolidated numbers coming in?
- Nitin Sood:** Yeah, it should, we are working with DLF right now to close the transaction and I think it should happen fairly shortly and hopefully in Q2 you should be able to start seeing consolidated numbers.
- Niket Shah:** Right. And one final question on the screen part of it, we have 76 screens where we have tax exemption when is that likely to end in a phased manner in the near-term that is likely to end some of the spaces likely to go up from the tax exemption?
- Nitin Sood:** Yeah, I think the overall if you look at our lifecycle every year comes in so, I think with this spread out is not that one year all screens are moving out of exemption. I think over the next four years this will partially get kind of rolled off and we are hoping once GST comes I think we do not need any more screening in terms to open new screen.
- Moderator:** Thank you. The next question is from the line of Vivek Goenka from ICRA. Please go ahead.
- Vivek Goenka:** I just wanted to understand two things, first of all like I see the PVR has a low presence in the eastern region. So just wanted to understand that whether we are planning anything going forward to increase our market share because like in Kolkata if I see then the presence of Inox is quite good and with the new malls coming in I am not seeing PVR also coming in along with that. So can you guide me through that?
- Ajay Bijli:** Yeah, we have some interesting properties coming up in East. We have one 5-screen coming up in Guwahati this year, we have another 4-screen coming up in Ranchi, Kolkata we have signed a couple of big projects as we have been articulating our strategy has always been to wait for good malls, good developments, large size developments so we have been lucky to get a couple of goods projects in Kolkata. So you see a difference in the screen count in East, it will go up in the next one year or two years.
- Vivek Goenka:** So like the planning of 65 screens to be added in current year out of that any such particular allocation for the Eastern region?
- Ajay Bijli:** Yeah, this Guwahati is there which I just mentioned it is a 5-screen complex and Ranchi.
- Moderator:** Thank you. The next question is from the line of Sandeep Nag from Ashmore Group. Please go ahead.
- Sandeep Nag:** Sir, my question was what number of total screens in Tier-I cities today are PVR Icon? What is the expansion plan there? And may be as a percentage of the group including F&B, etc., what



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percentage come from perhaps the icon brand that is my question. My comment is I recently was at one of your PVR Icon screen and it was a phenomenal experience.

Ajay Bijli:

Thank you very much. There is only one right now the Varsova in Mumbai. It is a luxury brand that we just launched last December so, it has only been open since five months or six months. So I am glad you liked you it and people are liking our product. So we have not still pegged up and decided on how to roll it out but it will be mostly confine to metros Delhi, Mumbai, Bangalore. We have planned for two sites in Delhi, one site in Bangalore, one in Pune and you may see one more in Mumbai so, Icon both stand clearly for opulence so whichever site really allows us to add those kind of features those will get branded as icon.

Moderator:

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

Ajay Bijli:

I will like to thank everyone for taking time out for this call. And if you have any follow-up questions, please feel free to reach out to us and we will be happy to answer your further queries. Thank you very much.

Moderator:

Thank you. On behalf of Motilal Oswal Securities, we conclude this conference. Thank you for joining us and you may now disconnect your lines.