



“PVR Limited Q2 FY-21 Earnings Conference Call”

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MODERATOR: **MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2021 Earnings Conference Call of PVR Limited, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. Thank you and over to you Sir!

Ankur Periwal: Thanks, Rutuja. Good morning friends and welcome to PVR Limited Q2 and H1 FY2021 Earnings Call. From the management side, we have with us Mr. Ajay Bijli Promoter, Founder, Chairman and MD, Mr. Sanjeev Kumar, Promoter, Co-Founder and Joint MD, Mr. Gautam Dutta, CEO PVR Limited; Mr. Kamal Gianchandani, Chief of Business Planning and Strategy and CEO PVR Pictures; Mr. Pramod Arora, Chief Growth and Development Officer and Mr. Nitin Sood, CFO, PVR Limited. I will hand it over to Mr. Ajay Bijli for his initial remarks and then we can open the floor for Q&A session. Ajay, over to you please!

Ajay Bijli: Thank you very much. Good morning everyone. I like to welcome you all to the earnings call to discuss the results of Q2 FY2020-2021.

As you are aware, the Cinema Industry continued to remain shut throughout Q2 FY2021 and the results reflect the same. PVR had almost nil revenue during the quarter from the core movie exhibition business with almost 100% revenue decline. The company reported losses in Q2 driven by the continuing fixed cost.

Consolidated revenues for quarter ended September 30, 2020 were 111 Crores as compared to 979 Crores during the corresponding period of last year. Consolidated EBITDA loss for the quarter was 14 Crores as against a positive EBITDA of 324 Crores in the same period last year. Consolidated loss after tax for the quarter was 184 Crores as compared to the profit of 48 Crores during the corresponding period last year. After adjusting for impact of Ind-AS 116 leases, Revenue, EBITDA and PAT of the company would have been 44 Crores and (81) Crores and (116) Crores, respectively.

The company continued with its strategy of aggressively controlling cost as well as augmenting liquidity. With these efforts, PVR was able to reduce its fixed cost by over 70% in Q2 as compared to Q2 FY2020 excluding rental and cam. Monthly fixed cost excluding rent and cam dropped to 24 Crores in the quarter as against 86 Crores in Q2 FY2020.

PVR is in active engagement with all our developer partners for discussions on rent and cam and so far, settlements have been eased for almost 60% of cinemas offering complete rent waiver for lockdown period and significant discounts on rent post reopening.

Discussions with balance developers are in progress and is expected to close once cinema are allowed to reopen in those states. PVR has shored up its liquidity using a judicious mix of debt in

equity. As on October 31, 2020 the company has over 550+ Crores of liquidity available which is sufficient to sustain its operation and meet all our obligations.

Ministry of Home Affairs has in its Unlock 5.0 guidelines allowed cinemas to reopen from October 15, 2020 onwards with 50% capacity. So far 16 states and UTs where PVR has presence have permitted cinemas to restart operations. Out of a total of 831 screens of the company, 575+ have received permission to reopen. We are eagerly awaiting now for the reopening of other states specifically Maharashtra and Telangana so that business can gradually get back to normal.

We are taking all possible precautions so that both our customers and employees feel safe while visiting the favorite PVR Cinema. PVR is welcoming back its patrons with several celebratory promotions and offers, opportunity for private screening, film festivals and a fresh new menu to make movie watching experience is totally delightful.

Many of our patrons have responded positively and we are fully prepared to give them the same immersive movie experience the way we have done before. We are hopeful that once the new content is released, the business will gradually recover.

We are thankful to all our stakeholders including developers, producers, investors, bankers and most importantly employees who have stood with us during these unprecedented times.

Thank you very much and I would now leave the floor for any Q&A.

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

Abhishek Bhandari: Thank you. Good morning. I just had one question. On slide number 13 where you have spoken about rent waivers for the lockdown period and significant reduction going after that, so could you just give us some ballpark number, what kind of rent reduction you expect over next few months and few years and is the reduction only applicable for FY2021 or beyond?

Nitin Sood: I will answer that question. Currently all the rent negotiations are focusing on the current financial year till the time we expect the business may bounce back. We are not doing any long-term rent negotiations currently. We are only focusing on the current financial year. As we said, in 60% of our cinemas where we have got permissions to open most of the cinemas for resettlement, we have got a complete waiver of rent during the lockdown period and rental reduction. Rental reductions are in the different forms and difficult to quantify a number, in lot of our cinemas we have got a pure revenue share till the end of this financial year, in some cases, we have got discounts on the minimum guarantee rental, so what that blended discounts number will look like is difficult to predict but our estimate is it will be in excess of 50% discount overall rentals, it will be slightly higher than that in this quarter could be slightly lower in the last quarter but I think we will be in a better position to answer that question specifically once all our negotiations close for rest of the properties.

Abhishek Bhandari: Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Nitin and team, my first question is on Sri Lanka and West Bengal, so we have seen good data in the festive period in Bengal and Assam, so if you could tell us in these markets in Bengal, Assam and Sri Lanka, after the initial very good data point or in the festive season good data point, how has things panned out and did you give the 25% off on F&B even in the festive season in Bengal, Assam?
- Gautam Dutta:** Yes, we did. With many prices and F&B promotions those were run, for all the over content, we played film between the price tag of about Rs. 75 to Rs. 125 but largely in most of the cinemas under Rs. 100 and new content played on the pre-COVID level in terms of ATP but its SPH was discounted so that we wanted people to come and experience the new order of planning that we had done in the F&B counter.
- Kamal Gianchandani:** Bengal turned out to be good lab test, not so much holds true for Assam because Bengali films, Bengal turned out to be good lab test we had about 6 new films which released around Durga Pooja. Two of these films most of them were small but two of these films were, I would say slightly towards a midsize range and they did quite well. Throughout those 5 days or 6 days when the Durga Pooja is at its peak, people tend to go out, very similar to the behavior that we tend to see after Diwali for North and West of India and also the rest of India. Those 5 days or 6 days were very aggressive in terms of capacity utilization, most of the shows ran with almost close to 100% occupancy and when I say 100% occupancy I mean within the 50% capacity that we have permitted to sell. Within that we were able to clock 100% occupancy. I must also add that these films as I mentioned before were midsize films, so none of the regular big ticket films that we are used to releasing around Durga pooja in Bengali language were not there, those have been postponed to December or to January but this lab test turned out to be a big success and we are expecting some more new Bengali films to release in November, later in December but clearly this signals that we got from the audiences are extremely positive. Sri Lanka at this point in time is again shut. There is a government directive which came out about two weeks back which suggested that cinemas and mall should remain shut, so at this point. Colombo is not operational.
- Abneesh Roy:** Sir, two follow up here, one you mentioned big budget Bengali movies will come in December-January and you also mentioned mostly it was going till 50% sell out capacity, my question is are the big budget essentially waiting for the 50% relaxation to be done and any sense you are getting on when 50% relaxation will be removed in state where already few weeks opening has happened, so could that be a precursor from say other forms of retail where you can pick up, so if a relaxation has happened many multiplex and also get back relaxation say after one month?
- Kamal Gianchandani:** We are extremely keen to pursue this matter and get this relaxation as early as possible, we are constantly in touch with various government officials but at this point, I think I will just pause and say that we are making our best efforts but we will have to wait and see in terms of timeline. We do not see it happening this quarter and we are hoping that in Q4 some of the relaxation will come about. The other question that you had with respect to relaxation to go away, no that is not the sense that we are getting, I think most producers including South Indian producers are fairly

comfortable with the 50% capacity but we also have to keep in mind that cinemas do not have any backlog content, so in terms of capacity, in terms of shows, screens that we are looking into brand new films is much more than what we are used to be normally, so answer to your question is that most producers are comfortable with the 50% capacity.

Abneesh Roy: Right, my second question is on the employee front, almost 45% cut in number of employees, so when films are opening are you now shifting to variable employee base, so is that a way forward and there could be cost saving even when screens open and could you discuss some more cost which have come in the non-Bengal market, how you are managed to cut cost there because screens are with 2%-3% occupancy, so how you are managing cost in those states?

Gautam Dutta: You are right, we have cut down on manpower drastically in the sense if you include housekeeping and security, we were close to about 14,000 employees and currently we have opened with about 6500-6600 employees. We hope to maintain this level going forward. However with new cinemas and territories opening, this number will change but largely from the pre-COVID level, we will operate the cinema at about 60% employee base, most of our employees were anyway on off role or variable cost so very clearly till the time business does not return to the pre-COVID levels, we are not ramping up our peoples cost.

Abneesh Roy: Right and last question on private screening anything to share, any good data point, second Delhi again COVID cases have hit all time high, so consumer behavior in Delhi how is it, I understand it was anyway 2%-3% because no new movies but are you worried that again COVID cases are coming back in terms of way in some of the cities?

Gautam Dutta: Yes, in a way but the fact is when you go out and look out at what is happening to malls, restaurants and hotels we are keenly looking at that data and the consumer response there, we believe that consumer is taking enough and more caution and at least when he enters any such places, he knows exactly the protocol that needs to be followed, we believe once the content comes in, like the malls we will also get enough and more footfall and that is something, this is a new normal, that SOP is kind of resonance, consumers are very clear on what they need to do if they are getting out of home and the malls over the weekend and some other days are fully packed, so the fact is we believe once we get the content we will be able to push consumers to our floors as well.

Abneesh Roy: And private screening?

Gautam Dutta: Private screening we are close to about 340 odd private screening pan India in the circuit and we believe this is a great idea that came out of this pandemic and we don't only intent to push it currently, it would be a product now on our charts going forward and what has also done is it takes the focus away from the content, it gets really into an area of PVR exclusive experience and this is what the consumers have come back and relayed to us that it is so wonderful to come and get friends and family with a small group of 12 to 15 people and get an exclusive screening. So, people are also doing screening of other content other than movies like their wedding tapes and

anniversaries and birthdays are being kind of celebrated, so I believe we have created yet another product which is here to stay for a long time.

Abneesh Roy: But your screens are much bigger, right? So you will charge per screen basis, there per screen basis does not make sense?

Gautam Dutta: We are charging per screen, but we are giving an exclusive Audi even at about at 30% occupancy as against the 50% as allowed by the government.

Abneesh Roy: Thanks, that is all from me and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Kinjal Desai from Nippon India Mutual Fund. Please go ahead.

Kinjal Desai: Thank you for taking my question. I wanted to understand now with the new content coming through, is there are any changes in negotiations with producers, both with the respect to the share as well as windowing that we have?

Kamal Gianchandani: These are sensitive discussions, we would not like to delve into details but what I can share with you is that because there is a capacity gap, there could be some minor changes here or there, till the capacity gap is there at the cinemas but on a long term basis, we do not see any meaningful change with respect to the established terms, commercial, terms, windows and the other practices that we have between producers and the exhibitors.

Kinjal Desai: This would include even the window that we have before it goes onto first satellite or OTT?

Kamal Gianchandani: We do not expect any meaningful change in that. Window is a sacrosanct long term business model which is benefitted both producers and exhibitors alike. We see absolutely no reason why window should change, so that is what we have to say.

Kinjal Desai: Sure and slightly on a longer term basis, we do have some content which is there right now with us, probably on a longer term basis if I want to ask you on a 18 month base per se, do you see that there can be a challenge in terms of the content which is getting which might till have to start or something is on the liquidity for the producers, they might not pressure much, probably is we would keep more of OTT kind of content rather than going for very large content, so just your thoughts on how do you expect to see beyond the current content pipeline?

Kamal Gianchandani: This is very good question but the way the things are shaping up in fact during the pandemic the number of projects which have been put together, film project in terms of script which have been okayed by the actors, production plans which have been put in place by the producers are very strong in terms of numbers. Actors seem to be extremely interested in going out in shooting multiple films, actors who typically shot one or two films in 12 month to 18 months want to do three film or four films now. So, this pandemic has given an opportunity to the creative talent to pause, look at the material which is available and really work on creative material in a very in depth manner and which will probably expedite a lot of shoots once producers have an

opportunity to freely go out and start shooting. But in any case a lot of producers have started shooting. We have been in touch with producers. We have been speaking to a lot of people about the new protocols which have come into practice as a result to COVID and producers who have got their act together. They seem to have made peace with the new protocols. There are films which are being shot overseas and there are also films which are being shot in India. So, in terms of number of films getting impacted we do not see that be a big impact. In terms of cash flow frankly at this point producers have more opportunities to slice and dice their content so the cash flow anything has in fact improved because of streaming platforms have come up and bid the aggressively for content as a result of that it does not seem cash would be a big problem but we will have to wait and see for a couple of more months, we do not see any impact the way we are looking at the situation we do not see any impact of liquidity on in terms of scale of films or in terms of quantity of films.

Kinjal Desai:

Sure, just one last, your thoughts on the way OTT's have been acquiring content. So, this all we were hearing when the pandemic started there was a lot of aggression and now that things have slowed down, they have become a little choosier about where they are investing. So, do you see that there can be reset in going back to the old way of buying of content for them? Just your thoughts on how you are seeing their content acquisition strategy kind of panning out?

Kamal Gianchandani:

Absolutely, I mean we see a reset in that because we have always maintained that this strategy of taking films directly to a streaming platform is not a sustainable strategy, not sustainable for the streaming platform and not even sustainable for the producers and there is recent structural change in a large media company, they have decided the prioritized acquisition of expensive films for their streaming platform and clearly these facts to that strategy are visible. Clearly producers, streaming platforms are questioning the entire viability of releasing an expensive film directly on streaming platform and producers are questioning the fact that is this the best way to monetize their content a film on which they spent 18 months-24 months of their life, is this the best way to monetize a lot of producers are questioning that. We do not see this direct to streaming platform release to sustain, I would say beyond next three month to six months. Definitely by the next financial year there would be a big reset and we would go back to releasing films theatrically and then taking it out on the other platforms. What we do certainly see is that a lot of streaming platforms will produce original content which is essentially films which will be commissioned by these streaming platforms which would be initiated by producers which would be commissioned and funded by the streaming platforms and which will release directly on streaming platforms. We see a lot of boost, but we do not see them coming at the cost of theatrical releases we see producers expanding their portfolio producing more films to accommodate this new demand, but we do not see these originals being produced at the cost of theatrical releases.

Kinjal Desai:

Thank you so much and all the best.

Moderator:

Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Thanks for the opportunity. Sir, if you can highlight what is the timeline with respect to reopening in Maharashtra that would be really helpful and secondly also is there any fresh content that is lined up during Diwali time if you can share few names on that front?

Kamal Gianchandani: This is the feedback that we have got from the government while there is no official order that has come out of the government, but we are fairly confident that Maharashtra would be permitted to re-open in November and most likely before Diwali. So, that is first part of your question. The second part in terms of films which are slated for Diwali release there is one film which has been announced which "Suraj Pe Mangal Bhari" this is a Hindi film which is with very famous popular Punjabi actor Daljit and there is also Manoj Bajpai. This is a film which has been announced for Diwali, but we must see when Maharashtra's permission comes out to re-open cinemas and how ready we are in terms of cinema openings. But at this point we are taking stand this is the film which is coming on Diwali.

Jinesh Joshi: Sir, secondly I know that it is slightly early to gauge any kind of trend in this case considering that cinemas have opened on 15th of October, but say for example 10 people are stepping in to our cinemas how many are actually buying our F&B products and how does this figure compared to the pre-COVID level any ballpark number you would like to share?

Nitin Sood: Yes, it is very early days right now and we are running lot of discounts and promotions right now but we are not seeing significant back on our F&B spends in fact our F&B spends based on very small numbers that we are doing right now is almost 75% of what our pre-COVID level was and that's largely due to huge discounting and promotions that we are running. But our general feedback is that we are not seeing any reluctance on part of the consumers to hit the candy bar. Our strike rates have not fallen and clearly that does not seem to be a big concern area right now.

Jinesh Joshi: Sir one last question any specific reason for not renewing the leases on 14 screens that expired during the quarter?

Nitin Sood: Most of these leases had come to the expiry of the terms and they had most of the properties had virtually come to the end of lifecycle for those properties and we have better locations in the vicinity. Clearly we did not want to renew these leases because there some of these properties had turned off run their course and were very marginally profitable or loss making that was the prime reason.

Jinesh Joshi: Sir basically this is the one-off case, and this should not be expected in the coming quarters, right?

Nitin Sood: No, at the end of every life cycle of every property we take the view whether it is worth renewing or not. Sometimes better malls and better shopping centers have already opened the vicinity and we do not see any long-term viability of those properties then we proactively take a call and shut down those locations because they are any way not contributing to the profitability in a significant manner.

Jinesh Joshi: Thank you so much.

Moderator: Thank you. The next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.

Harshit Toshniwal: Sir, thanks for the opportunity. Two questions, one is clearly that we will start opening from Q3 and may be in Q4 if we take a 10% to 15% kind of an occupancy level. Just wanted to understand that what is your estimate of cash burn which we might see in the H2 and our liquidity position versus PAT and Sir, second question is more from a longer term outlook that there was a pipelining FY2021 for screen additions possibly it will happen in earlier FY2022. But post FY2021 how do you see the average screen increased run rate and also if the outlook on malls is not very bright may be in the next three years to four years then in that context how important will it be to look at these screens of competition if they are out for sale? Thank you.

Nitin Sood: I will answer your first question first, which is really to say how we expect cash burn over the next six months. As we reopen screens clearly the amount of expenses will go up whether it is employee cost, whether it is some of the temporary salary cuts were taken for people as we were shut or whether it is some dip of our rental expense but we will try and keep our expenses in check as much as possible during the next six months. Cash burn is a function of how soon the occupancies will bounce back. It is difficult to put an exact number to say how much will the cash from the that is a difficult number to quantify we expect cash burn to go up. We are hoping that given that we are operating at a much lower fixed cost if more films and content as announced we are focusing Q4 will be down to breakeven and release the cash burn, so we have to see how that plays out. On your second question of growth etc., next year at this point of time we are taking the position quarter-on-quarter. Our focus is to complete the properties which were either fitted out 70%-80% or they had shut down temporarily for renovation get them up and running. Clearly we see the industry consolidating even further. Smaller operators will find it tougher to survive there will be more opportunities in terms of shopping malls that had got built up and suddenly you want to work with larger operations. But we will start making capital commitments around that only once we have clarity on the business front once business bounces back. Needless to say the pipeline is very large that we have signed and we expect that pipeline will grow even bigger given the fact that the real estate developers would want to work now increasingly with the large scale operators. But we will be in a better position to answer this question probably towards the end of Q4.

Harshit Toshniwal: Right, got it and may be one third question on the liquidity part we have Rs.350 Crores- Rs.370 Crores in cash right now. How do you see this liquidity standing in the next five month to six months or in the medium term?

Nitin Sood: We have additional credit lines and as on date we have shored up our liquidity to about Rs.550 Crores. Our net debt position remains the same of about Rs.1000 Crores and the liquidity position now is about Rs.550 Crores these again addition credit line.

Harshit Toshniwal: This additional credit line you are saying is post Q2?

- Nitin Sood:** It is post the end of quarter.
- Harshit Toshniwal:** Okay, got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good afternoon Sir. First question is on the rent and cams side you mentioned that you have had negotiations with most of them. Is there any more color that you can do on the expected rent in Q4 what is the expectation post all these negotiations will we be on 100% revenue share and what would be the weighted average number on revenues that you may get to?
- Nitin Sood:** It is difficult to put an exact number. As I said of the deals that we managed to negotiate a large part of the deals on the revenue share, similarly a part of those deals are discount to rent, so it is difficult to quantify what that percentage would be but I think between now to March we expect more than a 50% discount on the lease rentals, what exactly that number will play out to be whether it will turn out to be 50% or 60% or 45% it is slightly difficult to comprehend or put exact number given large part of those deals are on the revenue share and we still have some negotiations which are pending closure but we expect overall discount from opening till March to be in excess of 50%.
- Sarvesh Gupta:** For the month of October so do you have a like-to-like comparison of occupancy compared to let us say last October?
- Nitin Sood:** I think as I said to the time being opened it is very insignificant occupancy. Our occupancies are in the range of about 2% to 5% mid-single digits so the comparison is not relevant because most of the screens are not even fully operational and we have no content. I think that comparison will only be relevant when everything is open and we have new content to start showing in the screens.
- Sarvesh Gupta:** For the screens which were opened in October only for those screens if we have to look at the occupancy compared to?
- Nitin Sood:** Insignificant numbers I would say we would down by around 90% to 95%.
- Gautam Dutta:** To be seen in isolation without new content does not make sense at all so that is the issue.
- Sarvesh Gupta:** All the best for the coming quarters.
- Moderator:** Thank you. The next question is from the line of Vipul Garg from Kotak. Please go ahead.
- Vipul Garg:** Sir, couple of questions. First of all, with the opening of cinema halls what is the employee count increase which we are seeing and the jumping employee expense in last 14 days? Secondly as per the H1 results there seems to be capex about 40 odd Crores done in H1, so what exactly it is and along with the capex what we feel is that the number of screens have simultaneously fallen from

845 to 831 in this Q2 so if you would throw some light on that and was any rentals paid for these screen shut?

Nitin Sood: Let me comment on question two and three first. The capex really represents are capital creditor for capex on screens done last year or some of the screens which are in really advanced stage of renovation fit out, so it really represents that. On your third question which was around shutdown of things I commented earlier, we shut down three properties with 14 screens where leases had come to the end of their lifecycle, we saw no merits in renewing these leases because these properties had run their lifecycle and either had a negative EBITDA or a very marginal EBITDA we did not see the long-term viability in continuing with these properties. Coming back to your first question on employee cost we started the operation with about 6500 people as we said which is what the headcount was on September 30, we do not intent to ramp up this headcount till the time we see the occupancies really coming back.

Gautam Dutta: But important thing here to see is the percentage that we will open the cinemas at 60% of our employee headcount and cost as compared to the pre-COVID levels so we will hover around 50% to 60% even as occupancy kind of ramps up but it will be a tedious calculation to tell you what would be the ramp up cost given the fact that more new screens will open now going forward.

Nitin Sood: Employee cost like you said will definitely go up but because we will be rolling back some of the salary cuts for the frontline staff as we open up and also slowly for some of the other staff but I think it is difficult to put an exact number because we are taking some of the decisions on a month-on-month basis and cinema opening is still structured over a period of weeks so it is difficult to put the exact number but I think there will be significantly lower than what it was similar period last year at least for the rest of the financial year as well.

Vipul Garg: Sir, actually my question was that now we have a time of two weeks so what would be the cash burn increase because of these 500 odd screens opening up?

Nitin Sood: Difficult to measure and comment on that number. I think we will be better position to answer it only in the next quarter.

Vipul Garg: Sir, last question that if we see your September result vis-à-vis the March thing, though they had been substantial recovery in the receivables but still some 20% to 25% receivables are still pending so are they stuck or some negotiations are going on for bad debt part or something?

Gautam Dutta: Not really. It is just that these are retail advertisers and a few others, they will all come eventually, it is just the matter of their business is also badly hit, our paperwork and all that is in place so all the money that you see will be recoverable over the next month but if you see the sizable amount has already been collected and this too shall come over the next couple of months.

Vipul Garg: Okay fine. Thanks.

- Moderator:** Thank you. The next question is from the line of Shantanu Basu from SMIFS. Please go ahead.
- Shantanu Basu:** Good morning. Thank you for the opportunity. Sir, if you can give a brief about current ATP in India and also if you can also talk about SPH to ATP ratio for F&B and your advertisement revenue if any and how do you see the ATP and the occupancy trends going forward?
- Rahul Gautam:** So, Shantanu are you asking the question for the month of October?
- Shantanu Basu:** Yes, please so when the cinemas have opened?
- Rahul Gautam:** Shantanu as we have mentioned in the past in the call basically currently we are running a lot of promotion offers to get consumers to come back so ATPs are obviously reflecting that so they are obviously significantly lower than what our average ATPs are, we are running sort of offers of Rs. 99, you can come and watch your movie plus various private screening, so the ATPs are sub Rs. 150 at the moment.
- Gautam Dutta:** Ratio between SPH and ATP are being maintained so technically that is good pointer, those percentage in fact is getting only healthier than what it was which clearly shows that when people check in they are wanting to eat but advertising is a completely non-starter as of now, it will take a couple of months before we get some big films and then the advertising revenues will kick in.
- Shantanu Basu:** When do you expect some sort of normalization in the ATP and SPH?
- Gautam Dutta:** I think it has already linked to the flow of content so if you look at it in sequence Mumbai needs to open up followed by new content coming in even now the Bengali content was played on the pre-COVID levels so we do not intend discounting or increasing ATP pricing once we get the new content so I guess in about four weeks to five weeks from the time when Mumbai opens up and a new content begins to flow you would see that we would be hitting the same pre-COVID ATP and SPH number.
- Shantanu Basu:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Yogesh Kirve from B&K Securities. Please go ahead.
- Yogesh Kirve:** Thanks a lot for this opportunity. So, just trying to understand our disclosure little well so we have finalized sort of negotiations with 60% of developer but elsewhere is the notes you have mentioned that the total rents concession which we have been finalized is about Rs. 97 Crores for first half so that is roughly about works out to 40% of the normalize rent for the first half, so any light on that?
- Nitin Sood:** If you look at the new accounting standard IND-AS 116 it talks about the fact that you can account for rent concessions whether for the current period or for the rest of the year, if they are unconditional in nature during the period when you sign those agreements so if I did a rent concession agreement understanding before September 30 only then I can account for it in my

book otherwise I will have to wait and account for it in the next quarter so accounting is quite confusing. So if you look at the rent concession that we have accounted for in the books that number is totaling to about Rs. 94 Crores odd and if you look at our footnote that we mentioned in the results. In addition to that till the time we reported the results with the additional rent concessions worth Rs.93 Crores that we agree so you will have to look at it as a cumulative number some of these rent concessions that we have agreed to post September 30 will get accounted in subsequent quarter and the again the accounting standard considering it says if I got something, where I have got discount on a minimum guaranteed rent for the next four months because I can calculate what the rent concession is you have to account for it when we sign that agreement so if it is a revenue share you cannot account for it because you do not know what is the rent concession will translate into so you will have to account for it later. So, I think you will have to examine it on a cumulative basis, the 60% number that we mentioned here is based on the properties where these regional settlements broadly approximate number and that number is changing on everyday basis.

Yogesh Kirve: So, just to add on this roughly Rs. 90 Crores to Rs. 97 Crores which you have booked in first half this would also include the concessions with respect to the period basically post the first half as well?

Nitin Sood: In some properties yes; where it is not our revenue share it is a discount.

Yogesh Kirve: Okay and are you also looking at any concessions in the CAM post reopening?

Nitin Sood: Post once we reopen, I think there will be some concessions, but we do not expect that to be significant concessions because it is an actual cost on operating of shopping malls for most of the shopping mall guys. Post reopening the rent concessions is there, but they are very small in number as compared to the rent concessions that we were able to get during the pre-COVID period.

Yogesh Kirve: Lastly, more from a strategic perspective so this lockdown and shutdown would have given an opportunity to do a zero base budgeting for the cost, so do you anticipate any room for cost saving from structural from a long-term sustainable basis going ahead, in terms of the fixed cost per screen?

Gautam Dutta: Yes, you are right a lot of introspection is done on all the costs aspect including personnel as I said that is one of the reasons why we have opened these cinemas with about 55% to 57% headcount and we will be very careful in ramping this number up and we believe on a long-term but I think we will be able to give a better guidance once things stabilize but yes we will be extremely conscious and we would want to have a considerable savings on this account forward.

Yogesh Kirve: Thanks a lot for these responses and all the best.

- Moderator:** Thank you. The next question is from the line of Arun Prasad from Spark Capital. Please go ahead.
- Arun Prasad:** Thank you for the opportunity. I have just one question. Given the guidelines that you have given that 50% of the rental concessions have been agreed for most of the properties and if I do some back of the envelope calculations what I get is close to your liquidity you will be probably going short by somewhere around March or April so just wanted to understand do you have any contingency plan for next capital raise either in terms of equity or debt and what sort of plans we have as a plan B?
- Nitin Sood:** We would not like to comment on it but as of now we have sufficient liquidity to tide over the next six months to eight months, if we think that the business has more adequate liquidity the board will decide and raise the additional capital if required.
- Arun Prasad:** Just on the back of this liquidity management, just wanted to understand what is the need or urgency if you do without capex with that has been done in the first half, clearly that could have waited or is there anything prompted us to finish it some favorable conditions, anything doing this?
- Nitin Sood:** As I said earlier most of the capex that we are doing this year pertains to already work done where we are making payment to creditors work already done so this is the payment for those creditors and in some cases where some of our cinemas are 70% complete and are ready to open, we have to finish those sites and do that. Barring that there is no other capex being incurred.
- Arun Prasad:** So, will this repeat in the second half or it is mostly the past payments and it would not repeat?
- Nitin Sood:** It will continue in the second half as well because we have capital creditors for lot of 87 screens that we bid last year, some of those capital creditors are ready and some about 20 to 30 screens which are ready to open which has been completed 70% to 80% in various capital creditors payments for that.
- Arun Prasad:** Got it. That is, it. Thank you.
- Moderator:** Thank you. The next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.
- Harshit Toshniwal:** Just one more question, you said that you have closed 14 screens because they were not profitable and their lease was expiring, barring the COVID on a normalised may be FY2020 basis so what percentage our screen count would be may be EBITDA neutral or EBITDA loss making so can we more consolidation in reduction in terms of our existing portfolio overall full look more profitable?
- Rahul Gautam:** Let me answer your question on the properties which were profitable in FY2020 I think in our case we been able to run a circuit which has been extremely profitable and widely spread as a diversified presence in both in terms of geographical presence as well as financial performance

so not more than 4% to 5% of our portfolio which also includes some other screens which have been recently opened are loss making at EBITDA level. In terms of long-term trend I think it is too early to say as Nitin mentioned earlier in the call it is quite likely that this pandemic will lead to greater consolidation in the industry with developers also looking to work with more stronger established players and that could play out as things sort to normalize.

Harshit Toshniwal: So, basically around 40 screens at present at the 833 around 4% to 5% are once which are mainly EBITDA neutral or the breakeven?

Rahul Gautam: These are not breaking even at the EBITDA level and this also as I said includes properties which have been recently opened.

Harshit Toshniwal: Thank you.

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

Ashish Kanodia: You have talked about that the cash burn might increase over the next six months and of course there will be a shortage of content at least during Q3 and the footfalls will be muted as well, so is there a strategy to operate on a limited number of screens for example if you have three screens in a six or seven Sq. Km. radius you would be operating only or two?

Gautam Dutta: Yes, we are doing a demand and supply analysis. In most of the cases we are opening auditorium for the number of those is what we are playing with because as we have opened the cinema after a long time, we needed air circulation and the entire processes to settle down so to your question largely all screens are open. It is just that the number of shows may vary between one and three in different auditoriums till the time we do not have enough content.

Ashish Kanodia: So, it is fair to say. So, fair to say that almost all the 70% of the screens for which you have received the permission for operating but only two or three sources are being aired if I am not wrong it used to be 4.5 or 5 per screen previously right?

Rahul Gautam: Yes, that number used to be over 5 pre-COVID; yes.

Ashish Kanodia: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Amit Jain from Samsung AMC. Please go ahead.

Amit Jain: Thanks for taking my question. Wanted to get a sense, this revenue share that you agreed with developers, once things normalize do they also partake in the upside then or they sort of favored back to the old rental mechanism there, how does this work out from one year to two year perspective?



Nitin Sood: Most of these arrangements are valid till March 31, 2021 and currently all our discussions are till the end of this financial year, there is no change broadly and in most of the cases beyond March 31, 2021.

Amit Jain: Sure. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ankur Periwal for closing comments.

Ankur Periwal: Thank you management for giving us the opportunity to host this call. Gautam, Nitin, would you like to add any closing remarks.

Nitin Sood: I would just like to say thank you everyone for taking the time out to attend the call and although the situation is evolving, we are hopeful that couple of other states which we are waiting for will soon open and we will have better news to share in the next quarter as more cinemas open so, hoping for the best. Thanks.

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