



“PVR Limited 3QFY2018 Earnings
Conference Call”

January 31, 2018



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Moderator: Ladies and gentlemen, good day and welcome to PVR Limited 3QFY2018 Earnings Conference Call hosted by Ambit Capital. As a reminder, for the duration of this conference call all participant lines 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 this conference call, please signal the operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Abhishek Ranganathan from Ambit Capital. Thank you and over to your Sir!

Abhishek Ranganathan: Thank you Hari. Good evening and welcome to this 3QFY2018 call for PVR. From PVR we have Mr. Gautam Dutta – CEO, Mr. Kamal Gianchandani CEO, PVR Pictures and Chief Business Planning and Strategy, we have Mr. Nitin Sood, the Group CFO and we have Mr. Rahul Gautam, VP Finance. I’ll just hand over to them to take over the call and thank you for the opportunity.

Nitin Sood: Thank you Abhishek. I will just make a quick snapshot of the numbers for the quarter and then we can open up the call for Q&A. Overall revenues for this quarter were 560 Crores compared to 542 Crores in the corresponding quarter of previous year, which is up by 3% and the big challenge I think in the quarter has been as you all aware the movement of the film Padmaavat, which was slated at the beginning of December and unfortunately due to a last minute shift in the release we almost lost about three weeks of content because no new film could fit in during this quarter. In spite of that our consolidated EBITDA during the quarter is 103.6 Crores, which is up by 14% as compared to Q3 of last year and the PAT is up by 24% to 29.2 Crores during the quarter.

We have achieved a healthy growth in the ticket pricing, which grew by about 7% during the quarter, the average F&B spend, which grew by 12% during the quarter and our advertising revenue also grew by 11% during the quarter. I think the challenge is really been on the footfalls, which got impacted because of this movie moving from the scheduled date. I am hoping part it will get made up as the movie is moved to this quarter and we have a much better 4Q than originally anticipated.

On the screen addition front, we have added a total of 36 new screens in the first nine months. We opened two properties, 12-screen property in Bengaluru and three-screen property in Ghaziabad; this is a suburb of Delhi. We have another 31 screens, which are kind of ready to open, fully fitted out just awaiting the last leg of licencing or in some cases waiting for shop malls to become operational.



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We are hopeful that bulk of these properties should come on board by the end of this fiscal year. There may be slippages by 10-15 days here or there but I think bulk of these properties are expected to open between now and end of March, so we are still looking at a screen opening schedule of about 67 new screens during this year. Also as an additional highlight, we wanted to kind of bring about that we were also been upgrading our experience across various multiplex properties and during this quarter we have added seven new premium format screen, some of them are existing cinemas and we have getting a very good traction now we operate at total portfolio of 55 premium format screens out of this 612 that we operate roughly 10% of a portfolio.

We also renovated our prime property in Oberio Mall in Goregaon during the quarter, which is open to very good reviews post the opening. So these are some of the significant updates during the quarter. I would now like to open up the floor for Q&A so that we can answer any questions you may have.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We take the first question from the line of Niket Shah from Motilal Oswal Securities. Please go ahead.

Niket Shah: Thank for the opportunity. Few questions from my end; first thing is I just wanted to understand on the advertisement growth part of it you have seen about 12% kind of growth in this quarter and if you look at some of the competitors, they have grown at a substantially higher pace. Is it that we started to see some bit of aggression from some competitor on pricing as per the advertisement is concerned or it is just pure market-share gain I mean is there something else that we need to understand here?

Gautam Dutta: See there are two things that you need to see here. One is the base on which we are and the competition that is very important for you to keep in mind. No.2, yes you are right there has been pressure from the competition in terms of pricing, they needed to grow they had the screen and the time and so they were slightly aggressive in the market on pricing, which is a little more competitive but given the brand pull of PVR we have managed a substantial growth and we believe that this growth is here to stay for a long time and you would see this is a very short-term game on pricing eventually everybody has to take the pricing up and play a volume game rather than the value game. So technically we are fine and we are growing at a phase that we have decided we wanted to go at and that is totally as per plan.

Nitin Sood: If you look at our annual outlook Niket, just to add our annual outlook still remains 20% growth on advertising revenue this year, which were guided at the beginning of the year as



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some quarters are higher and some quarters are lower that is fine but we have said there were a 20% ad revenue growth for the whole year.

Niket Shah: So safe to assume that while you would have grown at 12% on revenue basis your volume or your minute growth would have been higher and your realization would have seen a decline or you see both still growing?

Gautam Dutta: No both are still growing. We have got a margin growth in terms of value which is roughly about 20%-odd but we have more growth on volume, volume both counted on on-screen as well as off-screen.

Niket Shah: I did not get it. So you saw a decline in pricing basically or you have not seen a decline?

Gautam Dutta: We have not seen decline in pricing. We have taken a marginal growth of 4-5% on value growth.

Nitin Sood: Bulk of the growth that has come during the year has really come on account of volume and on account of price increases, price increase growth is 20% of the overall growth so we have grown say for the full year at 20% then about four to five percent would the rates on pricing and the balance 15-16% is share growth is essentially come on account of volume due to pricing intensity in the market.

Niket Shah: Second question is on the screen addition you have seen 60-70% of new screen addition in south looks like a constant strategy but going into FY2019 how many screens will be opened and is that going to be more constant again towards south or this year is an aberration?

Gautam Dutta: I think, while we are adding screen all over the country, I think south continues to remain a prominent part of our strategy simply because that part of the market has less number of screens so I do not have a specific number of what percentage will be in south next year but it will clearly be higher than the rest of the country. Our screen guidance currently is I think a similar number of 70 plus screens but I think by the beginning of next fiscal year we will be able to share a more concrete plan on whether this guidance will move up or not, we want to clearly watch the really handover schedule so I think next two to three months we will be able to give a guidance whether 60 to 70 screen number could actually move up or not. But I think 60 to 70 screen given we do not think the number will be lower than this.



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Niket Shah: And on the F&B part we have seen COGS of revenues moving up similarly for film hire so how much of this is on account of GST because you had rates changing on F&B side just between the quarters?

Gautam Dutta: See bulk of the changes and bulk of the shift that you are saying is essentially related to tax changes there is no effective change in the real cost on the ground but as a revenue mix is changing due to frequent tax changes. Bulk of the shift is essentially on account of tax changes.

Niket Shah: Got it, on both sides film hire as well as?

Gautam Dutta: Both sides.

Niket Shah: Thank you so much I will come back in the queue.

Moderator: Thank you. We will take the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir on the advertising side you said you expect to grow 20% for the full year and nine months you have grown at 16%, which means 4Q you would need to grow at 32%, are you confident of 32% growth in 4Q?

Gautam Dutta: I do not remember the exact percentages but I think clearly we should do a revenue of about 295 to 300 Crores for the full year so that would imply a 20% growth for the full year so whatever that percentage comes to 4Q I think we are on track on that number.

Abneesh Roy: Sir you said the competition growing faster is because of the base effect last three quarters competition has grown much faster than you and now 4Q that means one year will be behind so are you saying that 1Q of next year you should both should converge because then the base effect for the competitor will not be there?

Nitin Sood: Not really, there is still a distance that perhaps the competitor can sort of do a catch up game on, both in terms of value and volume so I guess you will get to start seeing the real converging effect post the 2Q of next year.

Gautam Dutta: See the challenge that we face today to get the volumes up is you can sell as much media but at some point of time the pricing has to move up and for us this year I think the pricing has very marginally moved up because of the competitive intensity so once the volumes are up for competition which we are trying to do right now by selling too much at a much lower



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price at some point of time I think the pricing intensity will move up in the market I think we will automatically be able to raise pricing as well.

Abneesh Roy:

Yes, that is my question because if you speak to the viewer he will clearly say that the amount of advertising secondage is quite high and the gap between you and a No.2 player is still quite high in terms of advertising per screen so do you still feel that this is just a one year phenomenon there is still lot of gap even after this growth you have a big gap still so my question is will FY 2019 still look very difficult in terms of a double-digit say 15% add growth that is the max you can look at?

Gautam Dutta:

As I said on same store we have a guidance of not more than about 10% advertising revenue growth and bulk of the other growth will come on account of new screen additions so clearly that has been our guidance even for this year. The guidance will remain the same for next year as well so there is no change in the guidance on that account. So it is very difficult for us to say whether the competition will still grow at 40% next year on top of what they have done. Our medium is sold very differently, it is sold on perception and brand value rather than just a number of screens that anyone has so we cannot talk about what they will end up doing but clearly for us the growth will be in that range.

Abneesh Roy:

Sir in terms of brand value if you see they are going for the premium screen, they are going for the expensive location, and all that so is not that changing, so it is more structural rather than just sudden development?

Gautam Dutta:

See I do not want to comment on what they are doing, I can comment on what we are doing and as I said we will grow at 20% this year and we will continue to grow in double-digits on sales stores for next fiscal year, so that is something that we can forecast for our advertising revenue outlook.

Abneesh Roy:

Sir second question is on the new screens. Till now you are adding ten screen broadly per quarter, Q4 run rate is 36 and the other players are also saying that in Q4 there is going to be a bunch up so are you confident of this 36 and why this bunch up is happening in Q4?

Gautam Dutta:

See I think the challenge is the big situation on the ground. The regulatory situation and the real estate execution situation on the ground continue to be grim, so out of all these 31 screens that we are forecasting to open, some of these screens have been ready for the last four months, but in some cases the mall developers are not ready. They have not got the OCs, and in some cases are licenses are stuck because of the larger issue with real estate developers, so I think the whole licensing approval situation on the ground continues to remain quite challenging. It just takes us too much time to get all the relevant licenses and



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also in lot of cases the real estate developers are not ready while the cinemas are ready. I think the malls are not yet ready to open so we have to wait for those shopping malls to open before we can open. That is one of the reason why lot of delays are actually happening on the ground not because of our execution but really because of malls opening and coming on board.

Abneesh Roy: Sir this Oberoi Mall reopening, renovation how many more properties you need to do this is this that seven-year thing, which retailers need to do refurbish and get a fresh thing is that the reason why you did that?

Gautam Dutta: Yes. The Oberoi Mall is been operational for more than nine years so and that is the reason we do this upgrade for lot of properties on a continues basis on a certain lifecycle basis, so I think this is a continuous exercise that we do for all our relevant properties that require renovation and Oberoi Mall was due for renovation, so we upgraded the property.

Abneesh Roy: What was the revenue loss because of the renovation and what is the hike you have got because of the renovation?

Gautam Dutta: So we had closed this property for almost four and half months fully so both entire 2Q and almost large part of 3Q, the property was closed. So there is a significant revenue loss on account of it, that is a reason we classify some of these properties which are closed as non-comparable. But I think the good news is what you really see is ticket pricing and F&B realization post renovation have moved up in double-digit. Ticket pricing is up by almost 15% and our F&B realizations are up by almost 20% over what we were doing pre-renovation. So a significant jump in the operating matrix of the property.

Abneesh Roy: And how many more such are planned in next one year?

Gautam Dutta: I think every year we were doing four or five properties. Some of them will not have a full refurbishment, some of them will have a part refurbishment but quite a lot of properties are undergoing this upgrade.

Abneesh Roy: Sir last question, why pick up a minority stake and in US-based company? How do they gel with our synergy?

Gautam Dutta: I think we have given a broad guidance on the same. US is a fairly evolved market on the cinema exhibition space and a lot of stuff, which is happening on experimentation, is happening on US as a test pin market. So whether it is an issue of how windows will get regulated whether it is an alternate content, whether it is playing neck-to-neck, whether it is



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experimenting with sports all that stuff is happening in that market. iPic is a unique company because it is only specializing in luxury cinema concepts. It does not compete with regular cinemas. In some essence they do not even call themselves as a cinema company and we have no plans to go to US but we found their business model to be quite unique, thereby I think they positioned as an F&B-cum-cinema operation. Their F&B revenues are actually higher than their ticketing revenues, so there are a lot of some interesting concepts they are experimenting with. We felt that it is a great opportunity for us to bring some of the learnings back home and participate in some experiments through being on the board of that company, and participating in figuring out what they are going to do. So we have decided to invest a small strategic stake in that business, Ajay is joining the board of that company and that company is also actually going public on the small exchange in the US, they are in fact expected to get listed during this month, in that market so it is more strategic and more from a cross-border learning perspective. If some of those ideas we could replicate on our circuit, they could be really helpful in growing our overall revenue base.

Abneesh Roy: So this is a long-term investment right?

Gautam Dutta: Yes.

Abneesh Roy: Thanks a lot. That is all from my side.

Moderator: Thank you. We will take the next question from the line of Swathi M from East Capital. Please go ahead.

Swati M: Thank you for taking my question, it was good to see that the expenditure growth was quite controlled but can you explain the other expenses part where there is a significant decline on a Y-o-Y basis? Was there any one-off or is this cost control, which we can expect to continue going forward?

Nitin Sood: See part of the reason why expense growth is looking lower this year is also because of lot of expenses we booked we are now becoming eligible for claiming an input credit of GST, so part of the reason the expenses are lower is because of the input credit mechanism. But Q3 is also a quarter for us where if you look a lot of other expenses like CAM, electricity etc., significantly lower due to seasonality during the quarter. So that is one reason why CAM, electricity would be lower but for other expenses that could be specific nature of any expenses that is incurred in some quarter but it is not existent in some quarter, so that could be the only reason. There is no specific expense which has been significantly brought down but yes, there could be some expenses in Q3 of last year, which are nonrecurring in nature



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this time may get incurred in some other quarter, so that must be the reason. Large part of it is really due to input credit of GST that we are getting on some of our expenses.

Swati M: I got two more questions if I may, the first question would be on this tax refund so, I mean some of the other companies are actually recognizing this tax refund and you guys are not and I just want to understand like at what frequency where you are getting this refund from the government as in when can we actually know that okay this is in limbo?

Nitin Sood: It is a valid question and we have been also debating this with our own auditors as well and so say what would should be a fair way. Should we recognize or should we un-recognize this at one go as and when it will happen, so we will have to follow the prudence of accounting norms and what our auditors suggest as well and we will take a view on this at the end of the year. Having said that we have made several representations to the government to come out with a policy. The challenges that there is a high likelihood of all of this refunds being available to us because we are protected under the principal of promissory estoppel under which release we were granted under the erstwhile scheme. Having said that there is no policy announcement that has been made by the respective state governments. We are being extremely conservative and not accounting for it but I think by the year end we will review this position, examine what other industries are doing and then take a view.

Moderator: Thank you. We will take the next question from the line of Naval Sheth from Emkay Global. Please go ahead.

Naval Sheth: Thanks a lot for the opportunity Sir. My question is on international expansions whereas you did investment in the US stated earlier that you will expand in Sri Lanka also so what is the long-term strategy and how many markets you would want to tap any sense on the international expansion if you can share?

Gautam Dutta: As I said there is no specific strategy on international expansion it will be more opportunistic in nature. It will really focus around geographies where we think we can add value. So as of now Sri Lanka is the only market where we have actually signed projects and we will actually be opening a cinema may be end of 2018 or early 2019. Apart from that we are not there in any other geography. US I would not call it as an international expansion it is just a strategic investment that we have made, so I think it is still work-in-progress. We have no specific geographies identified or market identified where we like to expand, India still continues to be a large part of our opportunity but if we think that opportunities in adjoining markets, we are examining the same and we will come back as and when we finalize it.



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Naval Sheth: Sir in terms of the premium screens that you stated it is closed to around 55-odd screens. Any target in your mind going forward in terms of percentage of total screens or in terms of absolute numbers? What you want to look forward for the number to add over there?

Gautam Dutta: So technically we are looking at close to about 20% of our screens by next two to two-and-a-half years to be on premium screens and why we categorize this is from Gold, Director's Cut, IMAX, 4DX, P[XL] and Playhouse we were 39 screens of this format last Q3 and we have already grown to 55 as in end of Q3 so we are ramping up this number and we hope that within about two to two-and-a-half years we should be about 20% of our total portfolio in this category.

Naval Sheth: Will there be focus beyond metros for these properties or it is primarily on in metros what we are looking at?

Gautam Dutta: They will be pretty much in market where we think they can add value and in next two to three years I think that is the aim that whole cinema going experience will get premiumized. So these are some of the formats that we are currently operating and in times to come there may be some new formats that we may also bring to the table but our vision is that I think 20% of our portfolio should be premium end screen through combination of various new formats that are evolving and we want to bring about.

Moderator: Thank you. We will take the next question from the line of Utsav P from Capgemini. Please go ahead.

Utsav P: Hello, my question is like why have been your profits been slashed half from like June quarter to the September quarter?

Gautam Dutta: Come again what is the question?

Utsav P: My question is like why your profits has been slashed to half from June quarter to the September quarter like in June quarter it was 41 something like that and in September quarter it was slashed to 23 or something like that so why this change has been there?

Nitin Sood: You have to understand our business. The business is driven by footfalls in movies so you please read our investor update, profitability is essentially a function of the operating leverage that we enjoy so and it is a seasonality of the business. So in quarters where movies do well and more people come and watch films you will have a higher operating leverage and that will reflect on the EBITDA positively and in quarters you will have less



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films doing well it is also reflect negatively on that part so that could be the prime reason when you compare the numbers.

Utsav P: Thank you very much.

Moderator: Thank you. We will take the next question from the line of Hardik Shah from Max Life Insurance. Please go ahead.

Hardik Shah: I got two questions one is on the debt so what is the consolidated debt of the company; total debt and repayment due during the current year?

Nitin Sood: Yes, so total consolidated debt of the business is about 820-odd Crores right now as of December 31, 2017 and we keep on refinancing the debt at regular intervals so there is roughly about 100 Crores of repayment, which comes up every year 100-150 depending upon year to year and which continuously get some refinanced.

Hardik Shah: The second question was on the capex so far FY2019 what would be the capex, the regular renovations and new capex?

Nitin Sood: I think it should be broadly in the range of about 270 to 275 Crores, our annual capex this year out of which 150 Crores plus will be a new build site and 125 Crore should be on existing upgrades renovations on existing sites.

Hardik Shah: Okay and just finally can you share the geography-wise occupancy?

Gautam Dutta: We would not like to share specific data geography-wise.

Hardik Shah: Okay, just one last question, what are the rental trends expected going forward do you see any upwards on the rental trends?

Gautam Dutta: As far as all our existing properties are concerned they are all contracted for the relevant term so there is no question of any upward or downward trends on those properties. As far as the new properties are concerned I think the prime properties in big cities continue to be extremely competitive because of the fact that not enough real estate is getting delivered or build but because of our relationship that we enjoy with all the big developers, we kind of end up participating in all the big projects. For example we were doing five shopping centers with L&T in Hyderabad. We are doing all the projects with Prestige Group. We are doing two big projects with Mantri Developers so lot of big developments where we are



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participating in because of our existing ongoing relationships with the real estate developers.

Hardik Shah: Thank you. We will take the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Thank you for the opportunity. One clarification, we did mention that overall in terms of our premium screens you are looking at 20% as a number will it be fair to say that the payback period for these premium screens will be similar to the existing ones or we are looking at a bit of payback period here?

Gautam Dutta: Yes, it will vary format to format but I think our RoI exemption do not undergo a change in some format initially we found the paybacks are better and in some cases I think they are slightly elongated. But we are experimenting with lot of stuff and I think whatever formats crosses out we will kind of remodel the business model accordingly but the paybacks will be similar to our existing screens.

Ankur Periwal: The second question you know on the SPH front now at gross basis we have grown at 12% any clarification we have got because the GST impact being there at 18% versus 12% earlier? So now everything is settled in terms of pricing or there is still some sort of adjustment to happen there?

Nitin Sood: No, on F&B front there is no adjustment to happen. I think based on the advisors we got from I think big four accounting firms it is cleared that we will get classified under same categories as restaurants and we are taxed at 5%. I think on ticketing we are still continue to get taxed at 28% for bulk of our tickets, so that that still remains and that still work-in-progress and we are hoping that in near term the government will see some merit in classifying cinemas in a better category at 18% as compared to where we are at 28% because lot of other items including luxury watches now are at a 18% category and theme park and lot of others stuff has been brought down to 18%, So our feeling is that I think it may need some more time but we will eventually come down to that classification.

Ankur Periwal: Nitin in the last call we did mentioned that we are looking at rejigging our ATP with respect to the GST slab Rs120 or 150 bracket that part is already adjusted and over and above that we are seeing 28% average GST rate?

Nitin Sood: That is right, our average tax rate is about 26.5% effectively what we end up saying because some of the tickets are priced at a lower rate so we have readjusted our pricing accordingly.



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Moderator: Thank you. We will take the next question from the line of Vaibhav Agarwal individual investor. Please go ahead.

Vaibhav Agarwal: Thanks for the opportunity. What is the operating expenditure for the quarter per screen you have and going forward what you see the revenue mix in terms of your component like ticketing, F&B, advertising in the next two to three years?

Nitin Sood: I cannot answer the first question as per screen revenue because you can just divide it by 612 and you can measure but that is not how our business operates. Every screen has a different operating expenditure depending upon what kind of screen we are building which markets we are operating in so you can just simply divide it by number of screens and you will get the average number. Your second question was on the revenue mix. I think revenue mix is fairly well diversified right now and as I said our F&B and advertising is slightly growing faster than box office so it will move marginally in favour of non-box office revenue as compared to box office. They are coming on the back of a slow box office this year so may be the next year on box office will be better so that may not change significantly on quarter-to-quarter, but if you look at a three to four year view I think the non-box office to box office ratio should get better.

Vaibhav Agarwal: Any expectation what would be the ratio?

Nitin Sood: No, we cannot give any specific numbers right now.

Vaibhav Agarwal: Thank you.

Moderator: Thank you. We will take the next question from the line of Devanshu Bansal from Nirmal Bang. Please go ahead.

Devanshu Bansal: Sir thanks for the opportunity. My question was regarding the movie production business, so while admits declined by nearly 15% on a Y-o-Y basis but we have reported a profit of Rs.3 Crore any reasons for this and how should we take this business going forward?

Nitin Sood: So the distribution business that we largely do, I think we cannot give any specific guidance because it is more opportunistic and driven by satellite deals or any local distribution deals that you would have done. Part of the profit during the quarter on that business is on account of I think transfer of assets in the online crowd-sourcing platform vkaao, a new entity where Bookmyshow has co-invested 50% in that business. So I think part of the profit is on account of transfer of that business but I think it is very difficult for us to give any Q-o-Q guidance on that business.



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- Devanshu Bansal:** Thanks.
- Moderator:** Thank you. We will take the next question from the line of Jai Doshi from Kotak Securities. Please go ahead.
- Jai Doshi:** Team thanks for the opportunity and congratulations on good execution on profitability. Now my question is that you know with 29% occupancy in this quarter you have been able to get 18% EBITDA margin and you still have not at least on the accounting side you have not fully recognized GST benefits pending some clarifications so assuming some of those things sort of work out in your favour do you think you are at a scaled right now where you can maintain a 20% or may be 19.5-20% EBTIDA margin at annual level on a sustainable basis irrespective of how good or bad content is and you know this question is with regard to the fact that with 29% occupancy usually if not delivered a similar margin in the previous years?
- Nitin Sood:** Yes, I think our aim is to get to a 20% operating margin but as I said there are lot of moving pieces right now. We are doing lot of experimentation around the revenue piece, you will also realize where we were three years ago and where we are now in our F&B-based business, which is a high gross margin business has evolved. Our advertising business is also evolving as we going along so that has helping us to maintain and sustain the margin in spite of occupancy fluctuations so 20% is clearly a margin that we are aiming for and I think if we did not have a content issue this year in Q3 were decent I think we would have delivered a closer to about 20% operating margin this year. Having said that I think some bit of volatility in this margin will do definitely and get impacted on account of content because ultimately number of people walk-in into a cinema has a direct impact on our EBITDA. So it is difficult to say whether we can get to 20% without factoring in volatility of content but I think in a decent content year — I am not saying a great content year — in a decent content year there is no reason we should not be hitting at 20% of operating margins.
- Jai Doshi:** Understood. Second question is can you give us some indication of what would be your net debt levels may be a year or two years down the line assuming no inorganic acquisitions as of now and this is again the backdrop that ideally we would have expected net debt levels to go down this year in FY2018 but seems like you will end the year with the high debt level and you also have plans of premiumising significant part of your portfolio?
- Nitin Sood:** As I said, our net debt levels are about 820-825 Crores almost similar to what we had last year about 790-odd Crores of debt. This might be marginally higher than last year on account of the fact that in spite of a slower year, we have not reduced our capex intensity but if you do not factor in any inorganic growth clearly I think our net debt levels should



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start moving down. I think any incremental EBITDA that we generate from the business net of capex spends will go directly towards reduction of net debt and clearly I think if you were to exclude any inorganic and funding plans for that our net debt levels should be lower by 200 to 300 Crores in next 24 to 36 months.

Jai Doshi: Great. There were a few questions on competitive intensity with regards to the player. I was just looking at your footfalls on a sales store basis and the declined for PVR for the first nine month is about close to 7%, occupancy is dropped by about 200 basis point on same store basis for the first nine months, the sale matrix for a peer is little less sort so I was just wondering if there is anything we should read little bit into that data or you have any thoughts?

Gautam Dutta: You do not really need too much into the data. This is largely because of the fact that some content seems to perform better in certain circuits but beyond that when we look at the macro picture there is not anything, which stands out on this data point.

Moderator: Thank you. We will take the next question from the line of Girish Pai from Nirmal Bang. Please go ahead.

Girish Pai: Thanks for the opportunity. How much premium do you get on your ticket prices, F&B, SPH and your advertisement when you are running up premium screen versus an ordinary screen?

Nitin Sood: Yes, our premium ticket pricing for each format is very different but I think if you really look at the average, our average ticket pricing is higher by about 15% to 20% on our premium format screens versus regular screen, in some cases the premium have driven higher so I am just generally giving an average, Gold Class screens are at about 2.5x of the regular ticket pricing but excluding gold class for other formats about Rs25 premium to Rs150 premium on that ticket price is what we normally end up achieving.

Girish Pai: On SPH, okay that is linked to ATP. The other question I had was regarding your guidance of 20% advertisement revenue growth and you mentioned that 4%-5% is coming from price increase and the rest is coming from volume how much room do you have from a volume growth standpoint I thought it probably kind of maxed out there and rise of revenues is going to be largely price driven so do you have more room to grow on the volume side?

Gautam Dutta: We have a little room to grow because you need to remember that we have 600 screens across so there is not enough room within certain day parts and weeks. The second big point is that we have a create media so beyond onscreen there is whole lot of media that we have



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just not monetized enough and we are working towards creating that has a big portfolio going forward.

Girish Pai:

My last question is regarding this narrowing of window between theatrical screening and screening on say alternate platforms like say Amazon and even television it is not just Toilet, Ek Prem Katha, apparently there is Hindi medium and couple of other movies have actually been shown after a month of theatrical exhibition so is there some kind of agreement between film execution industry and the producer that there definitely got to be atleast three four months of window before it is shown on other media or it is left to the producer to do whatever he feels like?

Gautam Dutta:

I will just give you a backdrop of this and the background of overall picture. India for the longest time has had about an eight-week window between release on a theatrical platform and any other platform. In India it has largely been a theatrical market and a straight to TV market. There has been no home video, which has not been existing for the longest time, and the industry had a unwritten understanding that films will come to television in eight weeks after the theatrical release anytime after eight weeks and OTT platforms have just evolved over the next to last 12 to 18 months. We have seen lot of films coming on those platforms in about five to six weeks, nothing has come before five to six weeks but yes, some movies have come on those OTT platforms in five to six weeks and we have been in dialogue with the studios over the last several months to formalize this arrangement. I think starting about four to six weeks back we put a formal arrangement or understanding in place where we are now we are not doing it on industry by industry level but we are negotiating it studio by studio. We now have a broad understanding that post theatrical releases will get a six week window after which the producers or studios are allowed to release the films on a pay-per-view model, which means that not a subscription VOD but pay-per-view model so you could buy the film on a Apple TV or stuff like that and only after eight weeks the film can get released on a subscription VOD or a satellite or any other format where the film is supposed to release. I think up till now there was a formalization of these windows and we are working towards formalizing this window now in writing with lot of studios and we have had a decent amount of success with big studios like Yash Raj, Viacom and all of them and I think in next by before the end of this year hopefully this arrangement will get formalized with all the other studios as well.

Moderator:

Thank you. We will take the next question from the line of Abhijeet Sinha from Pi Square investments. Please go ahead.



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Abhijeet Sinha: Good evening. So basically I have some questions regarding the content unfortunately like this quarter actually Padmaavat could not get released and all that stuff and you know. How did this affect our margins in that perspective?

Gautam Dutta: Yes, clearly big impact. As I said our business is high operating leverage business so we lost almost three to four weeks of content and because this film was slated to release and got withdrew at the last moment. There are no other releases which could get fitted during that time so it clearly had a big impact on footfalls and it is easy to say that some of it which is lost will get made up in 4Q. But when this film moves to 4Q some of the films originally planned will also get moved so my sense is on an annual basis we will end up still losing footfalls because of this. Very difficult to say a number but you can easily put the fact that I think Padmaavat would clearly would have done 25-odd lakh footfalls in our own circuit and in a high operating leveraged business like ours that means a lot of contribution to the EBITDA.

Abhijeet Sinha: Exactly Sir. So now there is also an issue that in some states it is going to be released and other states it is not so then how do you balance that from the managing the content?

Gautam Dutta: You unfortunately cannot do much we have had enough.

Abhijeet Sinha: For example if you take some states like Gujarat where the movie will not be released so how do you balance that in the content perspective?

Gautam Dutta: You cannot do anything to balance that. Our cinemas are shut. They are not playing any other content because there is no content to play and 30% of the screens are effectively running empty because there is no content being played there so unfortunately you cannot do anything to balance that.

Abhijeet Sinha: Sir now in the year 2018 there is lot of great, great movies are coming up like especially from the Hollywood side where you are having all the Avengers and all these kind of movies so how much growth are we looking at this year 2018?

Gautam Dutta: It is very difficult for us to predict exact number. I think we are still reviewing as the movies are getting slotted. All I can say is 2018 is definitely looking at a much better content year than the year gone by given what we are seeing in terms of Bollywood release and Hollywood releases but I think it will be slightly premature for us to give any guidance. We would like to wait and watch as the films get slotted and may be by I think beginning of next fiscal year we will be able to share a broad guidance.



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Abhijeet Sinha:

Thank you so much Sir.

Moderator:

Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Nitin Sood:

I would just like to thank all of you who could taking out time for this earnings call and if you have any follow-up questions please feel free to reach out to me or my colleagues, Rahul, Gautam and we will be happy to answer the same. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.