19th May, 2023

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Company Code: PVRINOX/532689

Sub: Compliance under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

This is with reference to and in continuation to our letter dated 12th May, 2023 and 16th May, 2023 pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. We wish to inform you that the officials of the Company have participated in the conference call for analysts and investors meet held on Tuesday, May 16, 2023 for post announcement of Financial Results for the **4th Quarter and year ended 31st March, 2023**.

Please find enclosed the copy of transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR INOX Limited**

MUKESH KUMAR
Digitally signed by MUKESH KUMAR
Date: 2023.05.19 14:58:10 +05'30'

Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

"PVR-INOX Limited

Q4 FY '23 Results Conference Call"

May 16, 2023

MANAGEMENT: **MR. AJAY BIJLI – MANAGING DIRECTOR – PVR-INOX LIMITED**
MR. NITIN SOOD – GROUP CHIEF FINANCIAL OFFICER – PVR-INOX LIMITED
MR. ALOK TANDON, CO- CHIEF EXECUTIVE OFFICER, CENTRAL, WEST AND EAST– PVR-INOX LIMITED
MR. GAUTAM DUTTA, CO- CHIEF EXECUTIVE OFFICER, NORTH AND SOUTH – PVR-INOX LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the PVR-INOX Limited Q4 FY '23 Results Call 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 star then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankur Periwal from Axis Capital. Thank you, and over to you, sir.

Ankur Periwal: Thank you, Aman, and good afternoon, friends. Welcome to PVR-INOX Limited Q4 and FY '23 Post-Results Earnings Conference call. The call, as usual, will be initiated with a brief management discussion on the earnings performance, followed by an interactive Q&A session. Management team will be represented by Mr. Ajay Bijli, Managing Director, PVR-INOX Limited; Mr. Nitin Sood, Group CFO, PVR-INOX Limited; Mr. Alok Tandon, Co-CEO, Central West and East; and Mr. Gautam Dutta, Co-CEO, North and South, apart from the other senior management team.

I'll hand it over to Mr. Bijli for his initial comments, post which we'll open the forum for Q&A. Over to you, sir.

Ajay Bijli: Thanks a lot. Good afternoon, everyone. I'd like to welcome you all to the first earnings call of PVR-INOX to discuss the audited results for the quarter and 12 months ended March 31, 2023. As the appointed date for PVR-INOX merger was 1st January 2023, Q4 FY '23 results for the company are reported on a merged basis of PVR and INOX and not comparable with Q4 of FY'22 reported results.

Similarly, FY '23 full year reported results are based on 9 months numbers of PVR and fourth quarter numbers of PVR and INOX combined. Therefore, FY '23 reported results are also not comparable with FY '22 reported results. I hope you've had the opportunity to review our presentation and results which were uploaded last evening on our company's website as well as the stock exchange's website.

The following numbers are after adjusting for the impact of IndAS 116 relating to lease accounting. For the quarter ended March 31, 2023, total revenue was INR1,165 crores, EBITDA was INR27 crores and PAT loss was INR286 crores. This is after onetime exceptional write-offs of some cinema assets to the tune of INR21 crores and merger-related expenses of INR5.5 crores in total amounting to INR26 crores. In addition to the above, company has taken a onetime accounting write-off on account of restatement of deferred tax assets amounting to INR134 crores on account of transition to the new tax regime effective FY '23.

For the 12-month period ended March 31, 2023, total revenue was INR3,819 crores. EBITDA was INR389 crores and PAT loss was INR243 crores. However, if you were to look at pro forma financials of both PVR and Inox for full 12 months for the period of 1st April '22 to 31st March '23, then combined revenues for the year were INR5,311 crores, and EBITDA was INR609 crores. PVR-INOX welcomed 30.5 million guests across the cinemas in Q4 FY '23 and 140 million guests during the full financial year 2022-23. Although Q4 started off on a high note with a blockbuster success of Pathaan in January and the sustained strong performance of Avatar: Way of Water, which was released in December '22, the Feb '23 and March '23 admissions were dismal due to lacklustre performance from other Hindi films.

While movies like Tu Jhoothi Main Makkaar and Bholaa from Bollywood garnered average box office collections, Selfie and Shehzada failed to make any impact. From Hollywood, John Wick: Chapter 4, Ant-Man and the Wasp: Quantomania, Shazam 2 and Creed III delivered decent performances at the box office. Regional films, however, continued their strong performance with movies like Varisu in Tamil, Waltair Veerayya and Thunivu in Telugu and Ved in Marathi, all registering impressive box office collections.

FY '23 has been a period of strong recovery for us despite the marked underperformance and volatility of Hindi movies and significantly low releases from Hollywood last year. Revenue from exhibition business witnessed strong growth driven by exceptional performance of regional cinema, an increase in ticket prices and a substantial increase in consumption, spending of F&B by our patrons. While there has been a decent amount of volatility at box office over the last few months, we are quite positive, that this will settle down over the next 2, 3 quarters.

As we look ahead to FY '24, we're optimistic about the robust content line up across all languages. Over the next few months, we have several big Bollywood movies lined up for release like Maidaan, Adipurush, and Satyaprem Ki Katha in June; Rocky Aur Rani Ki Prem Kahani starring Ranveer Singh and Alia Bhatt in July; Dream Girl 2 starring Ayushmann Khurrana and Animal starring Ranbir Kapoor in August; Jawan starring Shah Rukh Khan and Yodha starring Sidharth Malhotra in September; Tiger 3 starring Salman Khan in November, etc.

From Hollywood, we have Fast X in May; Transformers: Rise of the Beasts, The Flash and Indiana Jones and the Dial of Destiny in June; Mission: Impossible - Dead Reckoning Part One and Oppenheimer in July amongst others. From the regional genre, we have Carry on Jatta in June, Maaveeran in July, Jailer starring Rajinikanth and Bhola Shankar starring Chiranjeevi in August, Viduthalai Part 2 starring Vijay Sethupathi and Salaar starring Prabhas in September '23 amongst others.

On the screen openings, PVR-INOX added 79 screens in Q4 FY '23, taking the total tally of the new screen additions in FY '23 to 168 screens for combined PVR-INOX circuit. In FY '24, the company intends to open another 150 to 175 screens. Of these screens, 9 screens have opened till date, 15 are awaiting license for commercial openings and 152 screens are currently under various stages of fit-out. The company as a strategy has also realigned all upcoming handovers of new sites fit-outs to next calendar year till the time there is strong recovery in the box office.

We've also taken a decision to shut down about 50 screens over the next 6 months across the country. Most of these screens have been underperforming, loss-making screens, which are housed in malls which have to come to the end of their life cycle with little hope of revival. The decision to shut down these underperforming screens is in line with the company's strategy to focus on profitable growth and improve unit level economics. Our screen portfolio, including the 38 management screens, stands at 1,689 teams across 361 cinemas in 115 cities in India and Sri Lanka.

Now I'd like to open the platform for any Q&A. Thank you very much.

Moderator: The first question is from the line of Abneesh Roy from Nuvama Institutional Equities.

Abneesh Roy: My first question is on the interview, which you just gave. You have said that in FY '24, you'd expect a revenue of around INR6,000 crores to INR7,000 crores, which is a marked increase versus FY '23. And now we have seen almost 3, 4 months of lull, February-March was in FY '23, and even April-May, Hindi has been quite challenging. So what are the assumptions you have taken for this? Have you taken a very big revival for Hindi movies from June itself for this number?

Ajay Bijli: April, definitely was not as per our expectation, but May has surprised us with Kerala Story has done well, Guardians of the Galaxy has done well in our circuits. Now we've got Fast and the Furious coming. So May is looking better than what we had anticipated. And even June, we've got some big moves like Adipurush. We've got Flash and Maidaan. So I think on the back of these movies, we are optimistic about at least the last 2 months of this quarter. April, of course, has been slow, but then July picks up again with a lot of big movies coming, especially for our circuit.

We've got -- in fact, in June, we've also got Indiana Jones. And in July, we've got the big Mission: Impossible, which releases like an Indian film; Oppenheimer, which is next Christopher Nolan's movie, Rocky Aur Rani, the next Karan Johar movie. So I think it's basically on the confidence of the line up, which is there. Of course, Jawan has also got shifted to the second quarter now, which is going to be a very big movie. Animal of Ranbir Kapoor is in the second quarter.

So the numbers that I spoke about in the morning is based on the movie line up because that is what gives us the confidence and, of course, also the rollout of the screens that we are doing. We have some very iconic destination cinemas opening up this year as well. And so it's on the back of that rollout.

Abneesh Roy: Sure. My second question is a bit linked to the first one. So you are rightfully focusing on the profitable growth. Now I see that earlier your vision was to see an expansion of 200 screens on an annual basis, which has been now changed slightly to 150 to 175. But we also expect a recovery. So when I see your expectation of recovery and say cutting down on the number of expansion, I wanted to understand 2 things here.

One, the cities that you are vacating, for example, some of the smaller cities like Bharuch, et cetera, you plan to exit, what would be the plan for entering that? And second, you're downsizing your expansion plan when you expect a recovery. So if recovery happens, then what will be the recalibration in terms of the faster expansion versus your initial plan of, say, 200 screens?

Ajay Bijli: You know net-net, it is still 150 and 175 because we are closing down like we've already announced about 50-odd screens we've closed down. We are closing in the next 6 months because these are -- PVR is 25 years old, INOX is 20 years old. So we have certain properties, which have had their time in the sun and leases have come to an end, the malls have become less attractive than they were earlier, some of them even closed down. So net-net, that's what the number is looking like.

And I think profitable growth is the need of the hour just now. And we've just become very strict about our criteria of where we should be spending our capital. And also, the mall -- there are a lot of things in the mall…there is a checklist. The mall has to be fully tenanted; it has to have the right number of tenants. Everything has to be correct, only then we'll start investing our capital.

Even 150 to 175 screens is not a small number to grow profitably with. But I think we have to also be conscious of the fact that we've come, only 14 months have happened since pandemic. And we just need to be more -- we need to be careful about how we grow. Every unit level, the economics must work and only then the numbers will look better. So we have been cautious of how -- where we invest our money and what kind of return we'll be getting.

Abneesh Roy: So on the pending question of, say, your view on the smaller cities like Satna and now the Bharuch kind of cities, is it a dimmer view for smaller cities? Or do you have an expansion plan in the next few quarters to enter again such cities?

Ajay Bijli: No, no. We're getting into every city. Sorry, you can finish your question.

Abneesh Roy: Just one clarification on the gross versus net. So your gross openings are 150 to 175, so net will be 50 screens lower, right? So net will be 100 to 125 in FY '24. Is that right?

Nitin Sood: Yes. That's correct.

Abneesh Roy: If you could answer the first part.

Nitin Sood: The question that you asked about, are we not opening in smaller cities. No, that's not correct. We are opening a lot of properties in smaller market. I think our focus is on locations like some of these markets where we've seen better quality shopping centres and malls have come up. We've updated or have better cinemas now in modern day shopping centres. I'll take an example. Suppose we are shutting down a cinema in Lucknow, we've opened in a brand-new shopping centre with Phoenix in Lucknow and PVR is there in LuLu Mall, Lucknow.

Now these are 2 brand-new shopping centres, which have eclipsed the rest of the smaller formats, which exist in that market. And hence, the decision to shut down, say, a property, which has become outdated and is no longer viable to run and operate in that market.

Abneesh Roy: No, I got the Lucknow LuLu Mall, that's a brilliant new large mall. My question was to summarize, would you be present in all the cities wherever, say, exit is happening currently in the next 6 months. In terms of those 50 screens, a lot of those are in smaller cities also. So do you have a full plan of re-entering such cities or currently some cities you will come at a later stage, not in the near term? That was my question.

Nitin Sood: See, a lot of these we'll already be present in a better shopping mall or some new shopping mall, for example, would be coming up. You took an example of Bharuch. That's a market which hasn't done too well. And we are aware of new shopping malls at that we have signed up, which will be coming up in the near future. And we would be migrating to better quality shopping centres in most of the cities.

Ajay Bijli: Yes, just bear in -- I'm just looking at where we have Rourkela coming up, Kochi is there, Pune is there. There's so many smaller cities as well. There is no -- wherever there is going to be consumption of movies, PVR wants to be present over there at a different price point. But the opportunity has to be correct. It has to be the right location, right mall. All the ducks have to be in a row, only then.

But there's no -- you can't make one sweeping statement that we're not going to be in small cities or we're only going to -- nothing like that. We're going to be in all sorts of cities wherever there is a potential for a PVR-INOX to be there. And it's just that these particular properties where we have closed or we are not investing, obviously, that's not meeting our threshold criteria.

Abneesh Roy: Sure. Got it. One quick question. When I see your comparison on Y-o-Y for Q4 versus the pro forma, ATP has grown 3% and SPH has grown 13%. So that sharp increase in SPH, is it mostly because of the inflation which you have seen in food. So that is the main reason? Or is it a mix improvement because of newer and better menu?

Gautam Dutta: Actually, it's 50-50. 50% is clearly attributable to value increase and 50% is on volume. We have introduced many products, better products, and we've also come up with a range where consumers are encouraged to buy products and consume at home, like the kernels of the popcorn or the microwave popcorn. These are all low price items, which are being sold at the cinema. It helps us increase our SPH, at the same point in time does not eat into the consumption pattern of the consumer at the cinema. So that's what we are working on.

Moderator: The next question is from the line of Atul Mehra from Motilal Oswal Asset Management.

Atul Mehra: This is with reference to Slide 23, where we have put out pro forma numbers pre-COVID and now. So one of the observations is that while, say, total revenue was more or less similar, profitability has declined quite materially versus pre-COVID, 11.5% margins versus 18% margins. And despite COVID being a time, which has taught most businesses to be -- well, a lot of businesses have invented ways of saving costs. So as we look forward in the next year and like you said about INR6,000 to INR7,000 crores of revenue expectation, how do we think about profitability? When do we hit the 18% number that we did pre-COVID?

Nitin Sood: I think if you look at the numbers, it's largely down because of the operating leverage in the business. Like this year has been a tough year for the business. If footfalls are down, it has a direct impact on the profitability of the business. We did about -- PVR-INOX combined did 168 million footfalls in FY '19-20.

As compared to that, we've done only 140 million footfall. So that is the reason for the decline in profitability. And this year comparing costs of 3 years ago, so while most of our costs are down, whatever is controllable, rental cost after a 2-year holiday that we got and the tax break that we got from our landlords are back to their original contracts, which is obviously reflected in the profitability.

Our hope is that this year will be a strong revival in box office performance of both Hindi films and Hollywood films as well, which have underperformed last year, and admissions and profitability should improve significantly. Difficult to say what the exact number would look like. But like Mr. Bijli spoke at the beginning of the call, we are expecting much better content, starting May-June onwards. And Q2, Q3 are looking quite good on paper based on the content flow we have. And we should do a revenue of anywhere between INR6,000 to INR7,000 crores depending up where the box office settles. And we are hoping to get back to pre-COVID level margins of 18% to 20%.

Atul Mehra: Got it. Got it. And secondly, just in terms of the vagaries of the box office and the content, which you have no control over. So in the medium to long term, obviously, we have other competing media like OTT and so on a so forth. So in the medium to long term, how do we -- like will we always be at the fate of how a producer or director manufactures content? Or is there anything now that we are a much larger entity, the 2 companies coming together? Is there anything we can do on the content side, which is more innovative than which perhaps has never been done before?

Ajay Bijli: Actually, there is no shying away and being embarrassed of -- there's nothing to be embarrassed about. This business is about cinemas since time immemorial, has been about movies. And in a country like India where 1,800 - 1,900 films get produced and released every year, how can that be a disadvantage. That is an advantage because if one movie doesn't do well, there are other movies that take their place and compensate for that one movie if it doesn't do well. It's just that last year has been very volatile, but we don't see this to continue.

So I think depending upon movies is our business, and that is something that we are very confident about that people -- the supply of movies and the quality of the movies connecting with the audience will happen, and it's already happening. And on the other side, on the demand side, consumers will continue to go out and entertain themselves. And they -- the number 1 form of entertainment still out of home is cinema. So I think we're in a market where both the supply side and the demand side is very strong. And its just an aberration that we've had of post-COVID syndrome of about 12 to 14 months, which is going to correct itself, there's no question about it.

Moderator: The next question is from the line of Karan Taurani from Elara Capital.

Karan Taurani: My question is around the profitability aspect again. So if you look at the box office revenue, I don't know if it's correct or wrong, but we tried to compare this to a quarter of Q1 FY '18 had in the form of Bahubali. If you look at the collection numbers of Bahubali, we have more mirror of Pathaan wherein one single film has done well for multiple weeks, and the other films have not done well. As you've probably got one more film which has done INR100 crores, which is Tu Jhoothi and at that time we had Tubelight.

In terms of the margins, that time around 18.5% EBITDA margin for the merged company, today which has come to almost about 2.3% excluding IndAS. So what is the gap here clearly because if you look at the Hindi box office revenue also, it's around INR800 crores for that particular quarter in terms of net box office. So what is this big gap here because the number doesn't seem to be very dismal as far as the Hindi box office is concerned. I know for a fact that advertisement revenue is down very sharply. So that has an impact. But is the delta that big that your margins can move from 18% to 2%?

Nitin Sood: So Karan, I think if you look at the pro forma number, you are comparing box office revenues of 3 years ago versus now. Part of it is driven by ticket pricing growth, but the jump is in the cost front. So we were paying 'x' rentals 3 years ago. We got rebates in rental and cam costs. Costs have moved up with inflation. So if you look at a lot of our fixed costs, which are external based, they have moved up after a 2-year holiday that we – break that we got from our landlords, as a result of which those are costs are up.

Second big impact area for our business is advertising revenue still significantly below pre-pandemic level. And these two are, I think, the key two items which go directly to the bottom line. So while price realization and SPH growth has kicked in and they have helped us to get to the top line number, advertising revenue shortfall and the rent and cam increases across locations over a 3-year period has been the biggest reason why our operating margins are lower.

Karan Taurani: Right. But then there's also SPH and ATP, we've seen a big delta versus that time. I got the point. I mean, advertisement is a big lever here. Now to the second question. How does one foresee ad revenues because ad revenue was very -- lot of premium pricing happened in the Hindi circuit only as far as advertising is concerned. So what is the kind of acceptance? What is the kind of growth that we are seeing in non Hindi circuits as far as ad revenue is concerned? So tomorrow in the next 6 months if Hindi content remains to be this way in terms of overall performance, and maybe small and medium budget films don't come back, do we see a scenario where the regional content is good enough to pull back this ad to pre-COVID levels?

Gautam Dutta: So clearly, this year, we are aiming to get closer to the pre-COVID number. That's the big one, the big target. But having said that, advertising revenues do need some big tent poles films. We saw a spike in advertising revenue whenever a big film releases, even in case of Pathaan. The brand manager's confidence is coming back at the cinema very, very strongly. We hope that by quarter 2 and more by the beginning of the festive quarter, which is the quarter 3, we will be able to get to very, very strong numbers on advertising.

So some pathbreaking work is being done at the ground level to introduce and get these advertisers back to cinema. And we are very hopeful that within the next quarter, we should be able to get back on track, very strong. And this merger with INOX has really helped to accelerate and seal the gap in a big way because now the undercutting, all of that is gone. There is a certain synergy in terms of rate card, the way we are selling all of that. So that really helped us as we move forward to bridge this gap.

Karan Taurani: Very helpful. Just one bit on this. Obviously, ad revenue is going to be one lever. But what about cost realignment? What are the key levers that you're seeing around cost heads, which can actually reduce over a period of time?

Alok Tandon: Well, let me tell you that where costs are concerned, after the merger, we are going through every line item with a fine toothcomb. Whether it is the repair and maintenance costs, whether it is the COGS where food is concerned, whether it is heat / light / power, that how we can work together to reduce the units, yes, we cannot do anything much about the rate of power, but how to control the units. So let me tell you that each and every line item of P&L is being looked at. And yes, we are getting a lot of benefit from the economies of scale. And I think that by the end of the next couple of months, you will see a drastic reduction in all our cost heads.

Moderator: Next question is from the line of Jaykumar Doshi from Kotak.

Jaykumar Doshi: My first question is related to Slide 19. If I look at 4Q FY '23 versus 4Q FY '22, proforma numbers for PVR and INOX, there's a 20% increase in admits, 6% increase in seats, but occupancy seems to have dropped by 290 basis points. So I'm just trying to understand how can occupancy declined Y-o-Y when admits have gone up 20% and seats have increased by 6%?

Nitin Sood: Jay, the main reason for that is in Q4, we were still operating at 50% capacity in a lot of markets. So when you calculate occupancy, the occupancy in Q4 FY '22 was still being calculated on half the capacity. So that is the reason in some markets there was a difference.

Jaykumar Doshi: Okay. And I think associated question is on cost. On a Y-o-Y basis, rent is up 40%, personnel costs are up 49% and electricity utility is up 41%. Is this also because the base quarter had -- did not have costs pertaining to?

Nitin Sood: That's correct. We had a lot of rebates from our landlords, which finished on 31st of March FY '22. So we had a lot of discounts and rebates, which were continuing till Q4 of FY '22.

Jaykumar Doshi: Understood. So 4Q FY '23 is more or less a normalized cost structure and you will start realizing synergy savings during the course of this year from these levels?

Nitin Sood: Correct. That's correct.

Jaykumar Doshi: Finally, can you give some colour on the other operating income that comprises of your ticketing contracts with BookMyShow and I think Paytm. I'm not sure if that is still on. And the virtual print fee related revenue. So what's your outlook from a 2- to 3-year perspective on these 2 revenue streams?

Nitin Sood: So we have long-term partnerships with all of our online aggregator, so these partnerships will continue. Some of that will come up for renewal during this year. We are in advanced stage of discussions and all these partnerships will continue. And we'll continue to work with our aggregator partners and same for virtual print fee as well over the next 2 to 3 years.

Jaykumar Doshi: So there is no sunset clause associated with VPF, right? VPF continues?

Nitin Sood: No, there is currently no sunset clause on VPF.

Moderator: The next question is from the line of Jinesh Joshi from Prabhudas Lilladher.

Jinesh Joshi: I have a bookkeeping question on the balance sheet side. So despite INOX being net debt free, I think the combined entity's net debt position has gone up by about INR250-odd crores on a sequential basis. So does it mean that new screen openings that we have done in 4Q, have been funded by debt? And if yes, what is the sustainable debt level from here on?

Nitin Sood: So between INOX and PVR, we've added a lot of screens this year, including the acquisition of one of the cinema properties in Chennai called Jazz. If you include that, the overall capex of both PVR and INOX put together this year has been INR300 crores approximately. And yes, the incremental debt is largely gone to fund the capex as the earnings have been slightly short. Yes, our net debt levels have gone up from 31st March, but largely the incremental debt has gone to fund the growth. We think this year as the earnings move up, our debt levels will get better and by the end of this year, our net debt levels should look lower than what we've ended at this year.

Jinesh Joshi: So basically, our screen opening guidance of 150 to 175, that we have …*(inaudible)*. Primarily that will be funded by internal approvals and not debt. Is that...

Nitin Sood: That's correct, that's correct.

Jinesh Joshi: And secondly, if you can just share what was the revenue and EBITDA loss from the 50 screens that we intend to shut down? And rather than closing these screens down, perhaps we could have entered into a variable rent model and brought down the fixed cost to be paid. And if despite evaluating that option, we have taken this decision to close down, I mean I was just thinking whether this is an indication of any change in consumption pattern or a routine decision. I thought of asking you this question because even some time back we had close of few screens and such instances have not happened quite frequently pre-COVID. So just wanted your thoughts on that.

Alok Tandon: I could'nt get the second part of your question, your voice was quite muffled. But answering your first question, if I heard it right, was what was the EBITDA impact by closing those 50 screens. So that will be a saving of INR10 crores. So that's the EBITDA impact we'll have by closing down those 50 screens. And if you could just repeat the second part, what you said, please?

Jinesh Joshi: Yes. So what I was asking is that rather than closing these screens down, we could have perhaps entered into some kind of a variable rental model and brought down our fixed costs. And if despite evaluating that option, we have taken this decision to shut these screens, is this a routine business decision or any kind of change in consumption pattern that you are evaluating? Because pre-COVID, shutdowns were not as frequent as we have witnessed currently?

Alok Tandon: So I think Mr. Bijli answered that question that most of these have lived their end of life, they have reached their end of the life cycle. We feel that even if we put in more money in these properties, there will be hardly any return. So why put good money after the bad. That's number one.

Number two, the consumption habits have not changed at all. The Indian audience is still the same. They still go to movies for great experience and it's all quantity of content which brings in people. So the consumption habits have just remained where they are. When you talked about speaking with various operators for revenue share, yes, we are in talks with various operators for revenue share and a few of our properties also are on 100% revenue share basis, if that answers your question.

Jinesh Joshi: Just one small clarification. Out of this 50 screens that we intend to shut down, do any of them belong to metro or Tier 1 market?

Alok Tandon: Well, it's a mixture of all, Tier 1, and Tier 2.

Moderator: The next question is from the line of Aliasgar Shakir from Motilal Oswal.

Aliasgar Shakir: I had a first question on your -- I understand like a couple of quarters back, we had done a survey to understand consumer behaviour post-COVID in terms of the experience, the liking in different customer segments, who's coming to the cinema hall, what kind of products they like, multiple things like that. So if you could just share your insights from that survey, what were the readings, what were the learnings that we got out of that survey?

Gautam Dutta: So while a lot of little points came in, but I can just sum up to say that one thing that stood apart was the fact that every consumer unanimously said that the cinema experience is differentiated. And once they feel that the content is up to their liking, they would all want to come to the cinemas. So in one voice, when we asked them, when the researcher asked them saying what you think of a cinema experience, they said it's fantastic. Today, we only watch a plot.

In fact, this was very interesting. He says, we get to see the plot, but we never enjoy the content, we never enjoy the story, the film because we're always consuming it on a small screen. They were very well aware. But however, they said, I am checking with my friends, I am possibly wanting to do my research because the biggest asset that I am kind of investing when I'm coming to the cinema is my time. So I just want to be 100% sure of the content that it's worth. That's number one.

Number two, they spoke about this entire experience of going to a cinema. They said it's no longer just about watching a film. They credited companies like PVR, INOX and others to say that they have invested a lot in experience. And today, it's no longer just about going out and watching a film. It's about eating the right food, sitting on a recliner, and enjoying the entire ambience and the way cinema is. In fact, it was a very pleasant surprise to see that this was our door to fantasy. When we enter the cinema, we tend to forget everything.

The fact that they could switch off their mobile phones and be completely ground in that experience is something that they really look forward to. So from that perspective, I think very strong positive signals, all waiting, trying out and saying that I just need to get back. And also at that point in time because they were coming out of COVID, I guess whole visiting with friends and parties was up on the rise. And everybody felt that soon that would kind of subside and very soon, we will all begin to go back to the cinema the way we used to.

But at that point in time, they felt a bit wanting to meet up with friends and party and do a face-to-face bonding. But I guess everything has a kind of a life cycle. And that's the reason we feel that with the right content now coming in, big tentpole films coming in, PVR and INOX investing a lot in experiential cinema, we believe that we are just a few months away from getting the consumer back. And we ourselves are also working very hard to sort of convince and work on the consumer to remind them of the great experience they've at the cinemas.

Aliasgar Shakir: This is very useful and quite detailed. Just one thing is any insight we've got to understand what is leading to lower occupancy. I'm just saying this from the point that if you see the average IMDB ratings, they would have probably remained the same, typically for the 25 movies in '18, '19 versus even now. So any insight you've got in terms of what type of -- particularly are they looking for or anything that could help us understand the content that will work on...

Gautam Dutta: As I said, they kept talking about content and then about saying that is this a content, which possibly deserves the big screen. Even films like they felt horror. They said a certain genre like even films like Drishyam did well simply because it needed that attention for the movie watcher to enjoy that content. They said that in their mind they were kind of segregating that. And the second piece that came in very strongly is, when I want to bond with my friends, when I want to bond with my family, cinema is the place to go because I get a holistic 360 entertainment. But when I'm on the move, when I'm alone on the flight, when I'm traveling, I may end up consuming a plot as they kept saying, not a story, not content, a plot on my small phone or on the iPad.

So I think what was very positive to know was that they knew exactly what they were doing with every film. In fact, a lot of people said that while I was watching a film, I felt that it deserved a cinema viewing and I either stop midway or I regretted of watching the plot on my phone. So these are very positive signals. Yes, it takes time because they have been -- they were out of the cinema for nearly about 18- to 20-odd months, so it could take time. But we are very certain with the way some of the big tentpoles films are performing. We are just about a few titles away from getting the consumer back very, very strongly.

Aliasgar Shakir: Got it. Last one question is on the operating metrics. So if assume that occupancies remain post-COVID at the mid-25 levels approximately or even if we see improvement but at this level, what are the other levers we have? I'm just asking this from the point of view that many of the global developed markets, occupancies are low, but maybe they understand that price -- I mean, cinema is price inelastic, so you could charge way higher and if pricing is used as a tool. Are there any other tools like in terms of your cost structure, whether your exhibition cost, rental, any other costs where you feel that we have another way to basically have higher store -- screen economics, if even occupancies are at these or slightly higher levels?

Nitin Sood: So the biggest difference in India versus globally is that we have high occupancies, but very low ticket prices in comparison to what exists all over the world, and those compensate for each other. And the other -- on the cost front, I think all our costs are very, very manageable, and we kept them at really low levels when you compare to global benchmarks, except for the rental and occupancy costs, which is quite high in a country like India.

That's true for the entire retail industry. And hypothetically, if the occupancies were not to improve in the long run, then I think the company's focus will have to shift to bring down and reset all the cost structures of the business. And the biggest cost structure of the business would be your rental and occupancy costs.

Aliasgar Shakir: Got it. Do you think pricing can be used as a tool?

Gautam Dutta: To a certain extent, it can be, and that's the mandate we have for this year. We will work on -- we are working with sophisticated tools to see wherever there is elasticity in pricing that we should be able to charge more. However, given that this is India and given the fact that this is the most popular form of entertainment, our focus is always to get the extra footfall. Our focus is always to entertain more people, get more people within the cinema rather than getting lesser people at higher ticket price. That's not the idea. But at the same point in time, we don't want to leave any money on the table. Whatever is the right pricing for the right consumer for the right experience will be charged and that's what we are working on.

Alok Tandon: And just to continue, the other thing, just continuing that we want to make our cinemas much more experiential. So whether you have 4DX, MX4D, whether you have a Playhouse, Kiddles, whether you have Club Seating, ICE, ScreenX, whatever it is, we want people to come to our cinemas and see a particular movie in more than one format. And that's something which we are working on. And that's yielded a lot of results. So pricing is one side.

The other side is how do we make our customers come to our cinemas and enjoy a great experience, whether it's crystal clear sound, absolutely clear picture, having laser projection in our systems -- in all our screens, so that's something where we want people to come in, have a great time, spend a lot on where INOX and PVR are concerned, on aesthetics, on luxury, on safety, on service, so that people are decouched and they come to our cinema to watch movies.

Moderator: Mr. Shakir, I request you to join the queue for any follow-ups as we have several participants waiting for their turn. The next question is from Arun Prasath from Spark.

Arun Prasath: Two questions. One is, you have indicated that you will be deferring the takeover of any fit-out properties going forward till the industry recovers. Does it mean if the Hindi movie industry doesn't recover, we will not be adding any screens in the next year, that is in FY '25? And consequently, what is the obligation of the developer according to the agreements that you have signed?

Can he wait out for a longer period of time? Or can he seek out for another exhibitor? How does it play out? That's question number one. My second question is on the OTT window. A few days ago, Mr. Bijli talked about this, where he said that industry shouldn't shy away from extending the OTT window. So what is the thought process going behind this? Are we trying to push the OTT window beyond the current stipulated time? So those are my 2 questions.

Nitin Sood: Yes. I'll respond to the first one. Currently, we are in the advanced stage of fitting out about 175 screens, which we plan to open this year. We have a very robust pipeline of a similar number of screens, which are coming up for handover this year. But in view of the huge amount of volatility at the box office that we've seen, we want that to stabilize before we take the next leg of screens for handover and start fitting them out.

And keeping that in mind, we delayed all new handovers that are coming up. We are not worried about losing some screens because the pipeline is quite massive for us. The opportunities are quite large. And in some of these shopping centres and malls, most of the developers have consented and agreed. They understand the situation. We have long-term partnerships with a lot of these guys.

But in some cases, where developers have an opportunity or would want to do screens with anybody else, that is possible that we may end up losing a few screens. But there are enough huge pipeline of screens that we have. So we are not so worried about that. And that's the way we are approaching it. Between PVR and INOX, the screen pipeline that both the companies have signed for development is in excess of 700 to 1,000 screens, which will come up over the next 5 to 7 years. So we are not worried on that front. Your second question was on OTT windows?

Alok Tandon: Yes. So let me tell you that what Mr. Bijli said is, yes, for Hindi, we have an 8-week window, where after the movie is released in halls, then it will take 8 weeks for releasing on OTT. We have some South Indian film industries than Hindi where the period is a bit shorter. So we are in discussion with them because the long window helps everybody. It helps the producer, it helps the talent, it helps the exhibitors because they can earn more from the box office and then whatever -- whenever they release on the OTT, they can earn more from the OTT.

So that's something we feel world over there a's long window or the window is quite high between the time it is release on the screen and it comes on OTT. And that's exactly what we want in India because it benefits the earning potential of a film. And the more it plays at the box office, the more the producer earns, the more the exhibitor earns, the more the distributor earns and better returns for the entire industry. And that's something, which we are speaking with people who make films in other languages. But yes, there is an 8-week window and if it's increased, it will help everyone.

Arun Prasath: To the first answer in which you are talking about we are not worried about if screens go out of pocket and it ends up in their exhibitor. Does it -- is it also your are trying to renegotiate the contracts in terms of rentals and cams? Is it a fallout of that is why we are not taking the handover?

Nitin Sood: No. As I said, we've given in the outline of company's strategy to say, we have got a huge capex already on screens, which we are fitting out. And that's the reason we have decided to postpone any fresh handover till the time the box stabilizes. We want to ensure that we fund all our growth from internal accruals in cash flows. And in spite of deferring all handovers, we'll still add about 175 screens this year.

Moderator: The next question is from the line of Harit Kapoor from Investec.

Harit Kapoor: So I just have two questions. One was on the breakeven. So I know this quarter is broadly breakeven at an EBITDA level, you've done about 22% occupancy. Once we kind of realize all the synergies over the next 18-24 months, what do we believe this number will now hover for the merged entity?

Nitin Sood: Yes. I think like we've guided bulk of synergies is very revenue driven for us. There will be some bit of cost savings, but bulk of the synergies will come from revenue. And advertising is one number, which is currently lagging behind. So this number will not change dramatically. The 22% could look like 20% or 21% from a synergy perspective, this number as advertising revenues kick in, get down to normal levels, and there are some cost savings. This 22% number could potentially look like 20%, 20.5% kind of a number for a breakeven.

Harit Kapoor: Got it. And the second question was on movie pipeline. So I understand on the quality of the content, but based on your discussion with production houses, et cetera, do you also believe that the quantity of the content in terms of number of films released, releasing maybe over the next calendar year versus say pre-COVID as probably even producers are recalibrating the same ways you are could be a bit lower. Is that also the sense that you are having or maybe they focus more on quality than quantity? Just wanted to get a sense of what you're hearing on the other side of things?

Alok Tandon: Well, it's difficult to say what the producers will do but yes for us and for everybody, quality is very, very important because I think today's Indian audience, they've got very, very refined taste buds. They know what they want from a script and when they spend 2.5 to 3 hours in an auditorium.

So I think that quality is more important. And today's producers are looking or the content creators are looking at giving great quality, great content. And that's something what we know in the industry people are working on. So a good quality is very, very important. Yes, quantity too is important for us to have shows for all 52 Fridays in a year. That's not denying the fact that we don't want quantity. We also need quantity, but at the same time, quality is also something which is very, very important for this entire industry.

Harit Kapoor: And sir, just to follow up to this. My question is coming more from the fact that are production houses kind of keeping similar budgets, but doing lesser films within that budget to kind of improve quality or create bigger films. Is that a sense that you are getting that they are trending towards, given that the smaller, midsized films have not done as well in the theatres? Or just any kind of insight that you have there that you can help with?

Alok Tandon: Well, I think if that's a question about budget, you should be asking them, not us. But at the same time, I don't think it's right to say that small quantity or the small budget movies don't do well at all. I can give you lots of examples of small budget movies, which have performed well at the back office. As I always say, it's the content which matters, and people come out to see great content.

For them, they're not bothered if more money has been spent on a film. If that be so, if it doesn't perform or if it doesn't cater to the taste buds of people, nobody will come in. So people go for great stories. They go for great direction, they go for great choreography, for great screenplay rather than the budget of a movie. And that's very important for the entire industry.

Moderator: The next question is from Jensen Jacob from Centra Advisors.

Jensen Jacob: My question was regarding the management screens that were mentioned in your presentation. It would be great if you could explain how these arrangements work and its economics if possible?

Nitin Sood: Yes. So these are about 38 screens, 35 of them were from INOX portfolio, 3 screens PVR. So basically, we run and operate these screens, we earn a management fee from operations. We don't consolidate revenues from these screens. And hence, these screens have been called out separately. We just earn a management fee from these screens, which is reflected in our operating numbers.

Jensen Jacob: So these management fees would show up in your other operating income if I'm correct?

Nitin Sood: That's correct.

Jensen Jacob: So the reason why I was asking about this, even though it's a relatively small number, is because you mentioned that you are looking at higher profitability going forward. So I was just wondering if you are looking to do more of these management fees models in the future, considering the asset-light nature?

Nitin Sood: No. So we are looking at different models. We will guide the market as we do some of those screens. Our focus is to be in full control of screens, which we run and operate, obviously, with a lower capex intensity. And we are working on various models right now to build a long-term better model than what we've been traditionally investing in.

Jensen Jacob: Okay. So these arrangements are just like consulting model, right? Or is it like a franchisee as in the hospitality industry?

Alok Tandon: No, it's not a franchisee. It is something where INOX and PVR run these properties. So the P&L goes to the developer, he is the one who puts in the capex, everybody is on his rolls. But we, as cinema experts, we run everything for that particular developer. So in all aspects, it's like an INOX or PVR property.

Jensen Jacob: Okay. So the branding will be the owner's branding, right?

Alok Tandon: The branding is either INOX or PVR.

Moderator: The next question is from the line of Abhisek Banerjee from ICICI Securities.

Abhisek Banerjee: Just a couple of questions from my side. First, on advertisement front. So in terms of the total proportion of ad slots per movie, movie running time, what would that be pre-COVID? And what is that now? And one more question is on the quality of content that we are talking about, right? We obviously read a lot about the quantum of money being charged by the big actors.

However, when we see certain big budget movies, the quality of production is not probably at par with Hollywood despite having a reasonably large budget. So is there any change which is happening in that regard?

Gautam Dutta: So let me take the advertising question. We normally, on an average, would play about 19 minutes of advertising. Now in certain big movies, this goes up, but largely if you average it out, the advertising time slotted is about 19 minutes, and these are in 2 slots, before the start of film and in the intermission. We currently are doing about 12, 12.5 minutes consumption. And this is expected to grow as we move forward.

Abhisek Banerjee: So you mentioned that the 19 minutes will grow going ahead?

Gautam Dutta: No, no, no. We are currently at 12.5 minutes. The 19 minutes cannot grow. 19 minutes is the time slotted with every film for advertising. So technically, we need to grow both value and volume currently. And for PVR, this time is slightly higher, for INOX is slightly lower. So if you average that out, we are consuming close to about 12.5 minutes currently. Our uptake is currently about 6-odd minutes that we can move up. So we have to sell more advertising and then also get our rates up. So that's how the journey is going to be. And then we've got a whole lot of media outside the big screen as well. So we want to also -- and we also have a plan to monetize the offscreen space as well at the cinema.

Abhisek Banerjee: Got it. So just in terms of volumes, you have a 50% upside possibly and value base, what would be the upside?

Gautam Dutta: Difficult to say. Currently, our whole focus is to get the volume back and that journey may happen once all the merger stability comes into PVR and INOX. So I guess that would be done next year largely. This year, we are concentrating largely on volume increase.

Abhisek Banerjee: Understood. That's helpful. And would you be able to comment on the question on production value?

Alok Tandon: See, again, the production value, as I earlier said, that I think the producers and the content creators will be able to answer.

Gautam Dutta: But more importantly, we are in conversation with the producer and believe me more than us, they are the ones who are doing a lot of research, understanding exactly what the consumer wants. They have been digging deep into data. And the content that we are expecting this year will be -- it's fresh and it is made keeping in mind what the consumer wants. We believe that the content that we will all see this year and moving forward is ingrained in deep consumer insights and will be very powerful. That's our hypothesis and hunch.

Moderator: The next question is from the line of Mayank Babla from ENAM AMC.

Mayank Babla: I had a bookkeeping question. Could you please give us the post IndAS total operating expenses for the combined entity for FY '23, the entire year?

Nitin Sood: No, it's difficult to give an IndAS expense because the accounting changes quarter-on-quarter depending upon how the assets are done. So we can take this question offline, but it's difficult to give with IndAS what the expenses would look like.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak.

Jaykumar Doshi: I just want to sort of understand the screen expansion sort of plan a little better. So if I understood correctly, you'll be opening 175 screens ballpark in the coming year, where you've already incurred some capex. Any further expansion beyond that 175, you'll wait for the box office situation to normalize. So then how should we think about screens additions for FY '25? And what does this change mean for your mix?

Because if I understand correctly, earlier, you were targeting about 40% of new screens coming from South and 60% from rest of the country. How will that mix change? And what -- if you can give us some colour, where do you think you will cap your capex plan for FY '24 and maybe FY '25, the way you see things today?

Nitin Sood: So there is -- first of all, our screen expansion, like we said, a large proportion will be focused on South. The year-on-year ratio is difficult to predict, but it will vary anything between 40% to 50% of our overall screen count will continue to be added in Southern India over a period of time. Secondly, this does not change anything as far as our growth plan is concerned. What we are basically saying is depending upon how the year pans out, we want to manage our cash flow slightly better. We want to fund bulk of our growth from our operating earnings. And hence, the decision to delay, even further handovers has been taken with that in mind.

Now this could potentially mean that we open a slightly less number of screens in FY '25? It's possible, like this year, we have a lot of screens that we opened this year have all opened in Q4. 50% of all the screens that we opened this year have opened in Q4 of this year. So FY '25 potentially looks like a similar situation if we delay the handovers by another 9 to 12 months.

But I think we are reasonably confident because the pipeline of screens is so huge, we will still end up opening a similar kind of a number even in FY '25. So I don't think it changes anything. It just delays and the timing of opening would change. Like current year, a lot of our screen openings would happen in the early part of the year as compared to previous years where a lot of screen opening happened towards the end of the year.

Jaykumar Doshi: And what about refurbishment, upgradation capex, which...

Nitin Sood: It is going to be a big focus area when we will continue to spend on refurbishment, maintaining and upkeeping our existing screens because they are the screens, which are continuing to deliver a strong ROI where we have strong admissions, and we will continue to do that. I think our overall capex number for this year will continue to be in the range of about INR700 crores for all the new screens, existing screens, investments in technology, IT, maintenance, everything put together. So this year, I think the number will be in that range for these 175 screens that we're adding.

Moderator: Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference back to the management for their closing remarks. Thank you, and over to you.

Nitin Sood: Thanks, Ankur, and thank you, everyone, for taking time to attend the call. If we have not been able to answer any of you during this call, feel free to reach out to us separately, and we'll be happy to address your queries offline. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.