25th January, 2023

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Company Code: PVR / 532689

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

Dear Sir / Madam,

This is in continuation to our letter dated 17th January, 2023 and 19th January, 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 "PVR Limited Q3 & 9M FY23 Earnings Conference Call" on 19th January, 2023 and link of the audio recording was shared vide our above letter dated 19th January, 2023.

Further, in continuation to our above communication, we wish to share the below amended link of audio recording of conference call for analysts and investors. The said audio recording is also available on the website of the Company.

https://originserver-static1-uat.pvrcinemas.com/pvrcms/financial/PVR_LIMITED_Q3FY23_INVESTOR_CALL.mp3

Please also find enclosed the copy of transcript in this regard.

This is for your information and records.

Thanking You.

Yours faithfully,
For **PVR Limited**

MUKESH KUMAR
Digitally signed by MUKESH KUMAR
Date: 2023.01.25 11:53:36 +05'30'

Mukesh Kumar
SVP - Company Secretary
& Compliance Officer

"PVR Limited

Q3 & 9M FY23 Earnings Conference Call"

January 19, 2023

MANAGEMENT: **MR. AJAY BIJLI – CHAIRMAN AND MANAGING DIRECTOR – PVR LIMITED**
MR. SANJEEV KUMAR – JOINT MANAGING DIRECTOR – PVR LIMITED
MR. GAUTAM DUTTA – CHIEF EXECUTIVE OFFICER – PVR LIMITED
MR. KAMAL GIANCHANDANI – CHIEF OF BUSINESS PLANNING AND STRATEGY AND CHIEF EXECUTIVE OFFICER – PVR PICTURES
MR. NITIN SOOD – CHIEF FINANCIAL OFFICER – PVR LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the PVR Limited Q3 FY '23 Earnings Conference 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 touchtone 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, Faizan. Good evening, friends, and welcome to PVR Limited's Q3 FY '23 Post Results Earnings Call. The call 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, Chairman and Managing Director, PVR Limited; Mr. Sanjeev Kumar, Joint Managing Director, PVR Limited; Mr. Gautam Dutta, CEO, PVR Limited; Mr. Kamal Gianchandani, Chief of Business Planning and Strategy, and CEO, PVR Pictures; and Mr. Nitin Sood, Chief Financial Officer, PVR Limited. Over to you, Mr. Bijli for the initial comments.

Ajay Bijli: Thank you very much. Hello, everyone. I'd like to welcome you all to the earnings call to discuss the unaudited results for the quarter and nine months ended December 31st, 2022. I hope you've had the opportunity to review our presentation and results, which we've been uploaded on our -- as well as the stock exchange website.

Let me start with an update on the merger. On the 12th January 2023, the Honorable National Company Law Tribunal, NCLT, Mumbai bench has allowed the proposed scheme of amalgamation between PVR Limited and INOX Leisure.

We have laid out the next steps and the tentative time lines for the completion of the merger as part of the investor presentation. Coming to the results, after dismal Q2, the quarter ended 31, 2022, witnessed a sharp bounce back at the box office.

For the quarter ended December 31, 2022, the current quarter total revenues were INR 953 crores, EBITDA was INR 141 crores, and PAT was INR 25 crores. For the nine-month period ended December 31, 2022, total revenues were up INR 2,655 crores, EBITDA was INR 361 crores, and PAT was INR 36 crores.

The above numbers are after adjusting for the impact of Ind AS 116 relating to lease accounting. The quarter recorded 22 million theatrical admissions across our cinemas, which were higher by 21% as compared to 18 million admissions in the previous quarter.

The quarter saw a healthy box office mix with movies from all genres performing well. The quarter saw a sharp resurgence of Hollywood with movies like Avatar 2 The Way of Water, Black Panther, Wakanda Forever and Black Adam.

Avatar 2 has been the highest grossing Hollywood film this year in India with a net box office collection of INR 385 crores till date, which is very, very positive. It's also been the highest grossing movie for the quarter for PVR with 37 lakh admissions and INR 108 crores net box office collections till date.

Regional cinema movies continue to perform well with movies at Kantara, PS-1 and Love Today. From Bollywood, the biggest hit during the quarter was this Drishyam 2 followed by Vikram Vedha and Bhediya.

While the current financial year has been impacted on account of underperformance of Hindi films and lower number of Hollywood film releases, we expect both the industries to post a strong recovery in 2023 with a robust content pipeline ahead.

On the screen openings, we've opened 63 screens across 11 cinemas till date and are on track to open a total of 100 to 110 new screens by the end of financial year.

About 47 new screens across various projects are in the final stage of completion and is expected to open before the end of this fiscal year. Our screen portfolio currently stands at 903 screens across 181 cinemas in 78 cities in India and Sri Lanka and the combined screen portfolio post-merger with INOX will be 1,623 screens across 350 cinemas in 115 cities as on date.

I'd like to now 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: Yes. Thanks and congrats on good recovery, good numbers. My question was on the outlook essentially on Q4 on Hindi movies, how do you see given Pathaan is a big event especially given SRK movie is coming after a long time and also the social media protests have also been at a very high level, given elections given all the issues. So would you say that now we are almost at the fag end of Hindi content issue?

I had asked this question a few quarters back also, but now where are we on that? And on Pathaan, what's your realistic expectation? I'm not asking for any numbers. But do you think that this could be a big hit given the context?

Ajay Bijli: Hi, Abneesh, yes, whatever the initial advances are of Pathaan, they are looking absolutely amazing. These controversies have never bothered us because ultimately, we play what gets passed by the Censor Board.

So prior to the Censor Board certification, all these little controversies of any movies that come, we don't give too much heed to it because ultimately, we only play what is passed by the Censor. And there have been so many controversies in the past as well, but ultimately, the consumer gives its verdict. And so I think from that point of view, the early indications are that this movie is going to do well. And we have other movies as well.

I mean I think the time of Sleeper Hit is also coming now. Gandhi Godse is looking good. Then we've got Ajay Devgn's movie Bholaa, which is coming up. Then we got some Hollywood films, John Wick. Coming back to Hindi, we've got this Luv Ranjan movie, which is starring Ranbir Kapoor. We've got one movie of Kartik Aaryan, who's become the flavor of the year called Shehzada, then we got Ant-Man. We've got another Ajay Devgn's movie called Maidaan, Selfie of Akshay Kumar, Creed III.

So, plenty of movies in this quarter as well. Babylon is a big one. So it should be good. There's no problem as far as the quality and the quantity of movies which are coming this quarter.

Abneesh Roy: Right. Second is on your statement on English content. You have mentioned, obviously, in your opening remarks and presentation also that 2022 was impacted by lower release. And you have said that in '23, it will come back.

So is it going to be a bit back ended in terms of the frequency of movies? Or do you see that from the Q1, Q2 itself, we'll see the frequency issue for Hollywood getting addressed?

Ajay Bijli: Yes. I mean, Q1 of -- Hollywood, first of all, what I said in my opening remarks was that so many people coming and watching Avatar 2. And in the post-pandemic only 10 months or 11 months after opening, having the biggest hit ever is a very positive signal. INR 385 crores, the movie is already done till date. So this will not only encourage the Indian film makers that consumers will come to the movies, if movies are good and they connect.

But this also is a huge motivating factor for Hollywood because there, again, everybody will be encouraged to release more and more movies on the big screen. So -- but just to your specific question, there's -- you want to know about Hollywood movies which are coming or you want to know just the pipeline, which is coming in Q1. Is that what your question was because there's plenty of movies.

I mean I've got a list of Indiana Jones. I've got Transformers, The Flash, which is coming on IMAX. There's Guardians of the Galaxy. There's Fast and the Furious. Then there is another Shahrukh movie called Jawan, which is coming. There is on 7th April, Super Mario movie, which is coming.

So there are a lot of films, both Hindi, English as well as regional which are coming Q1 of next year. So they're not back ended. They're coming spread out throughout the year.

Abneesh Roy Yes. My question was on English content only. So you are saying in CY '23, Q1, Q2 also will have a fair bit of English content, right?

Ajay Bijli: Yes, Absolutely. It's spread out throughout the year.

Abneesh Roy: Sir, my last quick question is on your expansion plans because earlier, you had said as a merged entity, 200 screens is something per year you'll be looking at. But in your recent interview, I read a much larger overall number over the next, I think, four, five years.

So could you clarify what is the realistic expansion given mall development will be the first criteria, then only you can expand? Is there a good visibility of the number which you are talking about in terms of mall opening also?

Ajay Bijli: Yes, definitely. We are a responsible, listed company. I can't make any flippant statements. So 63 screens we have already opened. And as I said in my opening remarks, 47 will open in the next two and half months or whatever is left of this fiscal as far as PVR is concerned and INOX also has about 100-odd screens opening.

So that's what we said that about 200-odd screens will open every year. And I don't know which interview you're talking about, but that's the number we've been consistently saying between 150 to 200 odd screens every year will be the opening pipeline of the combined entity. And of course, these are all in malls in different cities and retail is doing well.

A lot of developers in smaller cities, medium cities, big cities, they're still going ahead and building these organized retail formats and pretty much cinema continues to be the driver of footfalls in these properties.

Abneesh Roy: Thanks. In one interview, I have read a number of 3,000 to 4,000 screens, I don't know what was the time period necessarily. So that was over a 10-year time frame or that was a longer-term vision just for the expansion?

Ajay Bijli: Not 10-year. I mean if you -- just if you add 200 and we reach about maybe -- we are at 1,600 just now as a combined entity, 1,623. So another 200, 250 if you add every year. So in 5 years' time, maybe we are talking 3,000 screens.

Abneesh Roy: Yes, 3,000, I could understand. That 4,000 number was a surprising number.

Ajay Bijli: Maybe the journalist wrote on his own.

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

Jinesh Joshi: Yes. Thanks for the opportunity. Sir my first question is with respect to our partnership with the French exhibitor CGR Cinemas does it entail any kind of outgo like royalty, etcetera?

If not, can you highlight the nature of the business relationship over there? And also what are our expansion plans on the ICE format, if you can just shed some light?

Ajay Bijli: Yes. I mean, look, PVR is always about bringing experiential formats to the consumers. I think this day & age, you want to enhance and elevate the experience of watching the movie on the big screen. And ICE is one such format, which we believe is quite exciting.

And so this French company, CGR, there's no partnership. It is just -- for these formats, we have bought the equipment from them. But on every ticket that we sell, there is a percentage, which I will ask -- request my colleagues to tell you, on every ticket that is sold as a there's a small percentage that has to be shared with them.

But otherwise, the expansion plans are that two, we've already opened, one in Gurgaon, one in Delhi, and we have two more coming up, one in Bombay, one in Bangalore. And also we have a rollout of another six, odd ICE screens in the next maybe 12 months. And the kind of percentage is not significant. It's like 2.5% of box office.

And there's a lot of movies which are coming as well. Pathaan, I'm quite happy to share with you, has just now been converted into ICE as well. And a lot of Hollywood films are almost 25 to 30 films a year, will be on ICE format.

Jinesh Joshi: One last question from my side. It pertains to the financials of Film Distribution. In the PPT, I think the other operating income that we have given it pertains to the revenue from Film Distribution and the expenses related to it given in the PPT is approximately INR 103 crores. So where is the income is at about INR 94 crores. So does it imply that we have made a loss over here? I mean out of asking this question because the distribution business is one kind of a business whereby we get a cut as a percentage of collection. And hence, it tends to be profitable in nature. So just wanted some clarification on this side this bit?

Nitin Sood: Let me clarify on this issue. The total revenue from PVR Pictures is INR 114 crores and PVR Pictures has posted a very healthy EBITDA, one of the best quarters of this year. And when we consolidate our revenues because you have to knock-off you know intergroup transactions, you the revenue is appearing lower in the consolidated results. But on a standalone basis, PVR Pictures has had a very, very healthy quarter, best quarter of the year. And they've done some big film releases like Drishyam and Vikram Vedha during the quarter and Cirkus as well.

Jinesh Joshi: So film distribution for us is a profitable one in this quarter, right?

Nitin Sood: That's correct.

Moderator: The next question is from the line of Arun Prasath from Spark Capital.

Arun Prasath: My first question on the content. We have been discussing about the content issues related to Bollywood. Mr. Bijli, can you recall in the past, say, next in the last 10, 15 years, when was the last time? Aside these controversies, conversation, media and other things. When was the last time Bollywood went through this kind of a poor quality content? And how they recovered, if you can kind of give us your understanding of what is happening in the behind the scenes?

And also talk about the health of the producers who are operating in this last 2, 3 years, given that there could there is a possibility they couldn't be having enough capital to invest in this business? If you can give a brief outline on this would be great.

Ajay Bijli: Well, if I tell you last when it happened, I'd have to disclose my age to you. I'm just joking. I think this has happened even previously, if you recall, I think 10 years ago, 12 years ago, Mr. Bachchan's movies were there, and they had suddenly the content wasn't connecting with the consumers. There was a VHS Boom, and I don't know what all was happening DVDs then suddenly came I think Dil Chahta Hai, Qayamat se Qayamat Tak, sorry, before that. And again, there was a resurgence of people coming back. So ever -- every maybe 5, 10 years, 10 years maybe something like this happens. But I really don't think that we have such a serious issue because we've just come from the back of a pandemic.

So I think it's slightly getting exaggerated because we've had hits in the last nine months, like Drishyam 2 is one example, we had Gangubai. We had so many films that have done quite well. Brahmastra, Vikram Vedha, so I think it is getting too exaggerated that there is a problem. Of course, you know content, sometimes content connects, sometimes it doesn't connect. But definitely, more have not connected than connected. So that's why all this is happening.

But I'm 100% confident that I can't -- I don't underestimate the creativity and the business acumen of the Bollywood industry. They are all thinking more about it than you and I and are coming out with some amazing lineup in the next quarters and years. That is one.

And second, I just want to say that India is a very has got a very diverse quality and variety of content. So this always happens. Sometimes Bollywood is down, Hollywood is up, sometimes Hollywood is up and regional is up. Just now regional is up, but that's fine. That's the diversity of a PVR Circuit and now PVR and INOX's Circuit. So we are not dependent on one kind of content, which we have a diversified portfolio, a large number of percentage of screens are spread out in south, west, east and north.

So, we are not dependent on one type of content and which is what basically ensures that we are mitigated from a risk from any one industry. So that's all I have to say to this. That I'm not that concerned about a few movies not doing well.

Arun Prasath: The second part of my question, the health of the producers financially, how do you see this?

Ajay Bijli: Yes. They are fine. Because they monetize movies not just theatrically. There are so many other monetizes which are for OTT platform, satellite, television. So...

Moderator: Sorry to interrupt you, sir, the audio is breaking from your line.

Ajay Bijli: Yes. I was saying that the monetization of content makes sure that producers are healthy because the movies play theatrically first. And then they go to other platforms like OTT, satellite. So I think they get their money back. So in a way, it's a little contrarian to what you would probably hear from my mouth. But when a movie gets sold to an OTT platform, at least a producer makes money.

So that's fine. As long as there is money, funds are getting flown back into the film fraternity, we are okay. So I think they seem to be fine.

Sanjeev Kumar: And I think that is the reason why you see a very strong lineup of Hindi movies. This year as well. You've got three Shahrukh Khan films, two Ranbir Kapoor films, two Salman Khan films, two Ajay Devgn films. So Ranveer Singh also and with Karan Johar. Of course, it just goes to show that one way or the other money is not an issue. And that's why the release schedule for Hindi films this year is looking very, very strong on paper.

Arun Prasath: My second question is, we spoke about the distribution regarding the distribution of the movies from the previous participant's questions. I just wanted to understand how do you decide whether you want to distribute a particular movie or not? What kind of a data goes into deciding this? And would merger change this, would you have more kind of intelligence to understand what needs to be distributed, what needs to be avoided? And would we be seeing more action in this front from the combined entity?

Sanjeev Kumar: Kamal, do you want to take that?

Ajay Bijli: Kamal, would you like to take that?

Kamal Gianchandani: Sure. It's a mix of both art and science. So we look at a lot of data. We also look at, what's been the track record of the producer? And what does he or she have as a slate which is in terms of the upcoming films so that we have a safety net because as you know, our business model is to extend advances and we get a cut in the revenue of the films.

So in certain situations, we also run into circumstances where the advance is not fully recovered from a film. So looking at the producers' future slate is also a sort of a safety net for us. But then ultimately, as you know, with films, no two films can be compared on parity. I mean, films could have similar star cast, similar story line, same director, similar production values, but the outcome can be very different between the two films.

We also have created a pool of very experienced people, resources in our team so that we have this collective instinct of after having done data crunching, this is the material that we have been exposed to, be it the trailer, the story line, the posters, the other key arts. Looking at all of that, we make a judgment call, which is a layer on top of the data crunching that we have done and also the safety net that we've looked at.

So this is pretty much the process that we follow. I would not get into further detail because then we would be sharing business-sensitive information. But in terms of whether we will grow the business post-merger, I would request my colleague, Nitin, to share some thoughts on this.

Nitin Sood: Yes, I think it's a fairly valid question, but as we have more screen share, clearly, it will give us more distribution bandwidth in terms of understanding performance of the films even better. And clearly, we will do a lot more in terms of Hindi film distribution, in terms of opportunities with our revised size and scale of the exhibition circuit. So clearly, the focus will be to grow that business even further post-merger.

Arun Prasath: And what is usually the steady-state margins in this kind of a business. Yes, I understand it's a portfolio of films. Some will be hit, some will be miss. But generally, our steady-state margin in this business. Can you give a guidance?

Kamal Gianchandani: What margin are you saying? Could you repeat what margin are you referring to?

Arun Prasath: So, the distribution margin. So basically, the cost at which you buy and then what you realized at the end of the life cycle?

Kamal Gianchandani: Got it. Thanks. So, we have mainly two segments of films that we deal in. One is the foreign language category of films. And there, we take all rights and not just theatrical, we also take television, streaming, home video and many other rights. Typically, the margin tends to be 25% to 30%, but it is spread over multiple years because some of these revenues from the broadcasters and streaming rights and other platforms come over a period of four to five years.

So we end up with a margin of 25%, 30%, but is spread over multiple years. With Hindi films, margin tends to be between 5% and 10%, depending on the structure of the deal, and we get it pretty much. The turnaround of advance, the capital that we've invested is typically between 3 months to about 7 or 8 months. And within that period on our investment, we get a margin of 5% to 10%.

Arun Prasath: Very helpful. Just my last question on the ad revenues. Just as you can see, still it is lower than the 3Q FY '20 on a per screen basis. So how much of this can be attributed to, say, footfall inconsistency? And how much is because of the end categories are not spending enough like FMCGs and others?

Gautam Dutta: So, a bit of both, I would say, at the macro level, movie is not doing well and content not resonating is a partial reality. However, the bigger thing is that just too much of media hype around the fact that Bollywood hasn't worked or English movies are not connecting has created some sort of a doubt in the minds of the media planners.

We just need a couple of films to get that confidence going. As you can already see, quarter 3, we posted a very decent number of about INR 79 crores. And going forward, we see the recovery getting better as we move forward. And once we start off the next financial year, I think it should be fairly good.

Moderator: Thank you the next question is from the line of Shivam Goyal from Motilal Oswal.

Shivam Goyal: Yes, I wanted to ask that considering that PVR is planning on opening new screens and merging with INOX. That will definitely increase the total number of screens, but what are you guys doing to increase the like revenue per screen on an annual basis?

Ajay Bijli: What are we doing to increase our revenues?

Shivam Goyal: Per screen?

Ajay Bijli: Yes. Sorry, you want to take this, Nitin?

Nitin Sood: Yes. If you look at our average revenue per screen and not counting the current nine months, if you look at average revenue per screen on a pre-pandemic period has grown at an average rate of 7% to 8% per year. If you look at our average F&B realization, if you look at average ticket price realization, our average admission growth, which plateaus after a few years after we hit the peak.

And look at the advertising income growth, our average revenue per screen has grown by almost 7% to 8% in any kind of analysis that you do on a year-on-year basis, and that will continue to grow you know going forward as we believe this circuit becomes larger and larger.

Ajay Bijli: And also these new screen openings that we are doing, we are not doing them in the boondocks. We are doing it where we know that there is a demand for a PVR experience or an INOX experience. And we know that business will grow and there is also a steady supply of content. So there's a lot of method to the madness in terms of how we do our selection of our sites and locations and which malls we go into. So it is always value accretive and also business accretive. These are not screens that we are just adding for the heck of it. We look at everything and only then decide on screen count.

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

Harit Kapoor: I had two questions. I was just referring to your presentation that you put out on the...

Moderator: Mr. Kapoor, sorry to interrupt you. The audio is not clear from your line. Please use the handset mode.

Harit Kapoor: Yes. Just a minute. Yes, is this clear now?

Moderator: Yes, sir.

Harit Kapoor: Yes. So, I was just referring to your Slide 16 on your presentation, where you've given the '19 and '22 comparison of GBOC as well as number of movies. If you just look at Hindi, it looks like the problem was more in terms of number of films released rather than actual Gross Box Office Collection per film, which if you just calculate is down only 7%, 8% '19 versus '22. So, my question is on the actual number of films releasing. And do you expect that to also kind of come in...

Nitin Sood: Kamal, do you want to take that?

Kamal Gianchandani: Sure. Harit, in this box office number, there are two components in terms of Hindi films. One is the Hindi film in the original version. And the second is the dubbed version of Hollywood films or Tamil or Telugu or similarly other language films, which are not original Hindi films, but they have been dubbed from the original version into Hindi.

So, you're right, the quantity has also been an issue and the way our conversations with various content creators, producers, studios are going. We're getting a sense that this quantity will improve in a noticeable manner in financial year '23, '24. But, as we all know, that quantity would not always translate to quality and therefore box office.

I think the challenge that one has been referring to with Hindi films is with the original version, Hindi films. The success ratio has been low. And there have been various narratives in media and with the analysts on why the success ratio has been low. And I think this is a good opportunity to debunk some of these narratives. From our point of view, when we've analyzed different languages, the box office that we've done in 2022. And I would rather say not box office, but the admissions that we've done in 2022 compared to 2019. The only language where we've had a decline is Hindi language in original version. The dubbed Hindi language has grown manyfold. Regional languages have remained the same as 2019 in terms of admission or they have grown.

Like for example, Kannada has grown manyfold vis-à-vis 2019 is Kannada language has had a landmark year in 2022. Similarly, Marathi, Punjabi. So not just the South Indian languages, but even languages from Maharashtra and Gujarat, they have managed to -- and for that matter of fact, even Punjabi have managed to score similar admissions as 2019.

So, there is no sort of the narrative that there has been an impact of streaming on film business and the admissions. That when we look at the data, data informs us, that is not the challenge. The challenge is with the Hindi original version only and with Hollywood films where the number of films were substantially lower than 2019.

Now we could get into the reason why Hindi original version has performed below 2019, but that's a debate of another subject. Your question on Hindi is not looking significantly lower and it's just a quantity issue. No, it's been a quality issue with the original version, and there is a small quantity issue also, which we feel would get corrected in 2023 and '24 as we move forward. Does this answer your question?

Moderator: Mr. Kapoor, we are not able to hear you.

Kamal Gianchandani: Are you saying...

Harit Kapoor: Yes, yes. I just had another question on margins. So, if you look at, say, compare quarter 1 '23 to quarter 3 '23, I mean your first quarter, which was the blockbuster quarter for you. If you compare all metrics, it looks like the only differential between achieving a 19% and a 13% EBITDA is occupancy, which was 34-odd-percent quarter 1 and 29-odd percent in quarter 3.

Is that understanding fairly correct, given all cost structures that you've been able to maintain? Is that really the only missing piece because I adjust the ad income as well. Ad income was lower in quarter 1 versus quarter 3. ATPs piece a little higher in quarter 1 versus quarter 3. So, if they offset themselves, it seems like the occupancy is the only kind of -- or the footfalls are the only kind of variable here, which are restricting you to get back to those levels. Right? Would this be the correct?

Nitin Sood: You're absolutely right. I think if you look at the numbers right now, I think our business is a high operating leverage business. And what you see in terms of EBITDA margins is largely impacted on account of footfalls and the consequent impact on advertising revenues. So as soon as the films and the admissions come back, we also believe advertising revenues will also bounce back quickly. And clearly, given a high operating leverage business that will start showing on the bottom line.

Harit Kapoor: And Nitin, how long of content consistency do you believe you need for advertising revenue to kind of come back to pre-COVID in your estimate?

Gautam Dutta: Actually, more than content, we also need some big films to do consistently well. That's all advertising needs currently because in terms of number of footfalls, these are fairly decent numbers to go out and talk to advertisers. It's a question of the big films doing well because a lot of media buying in cinema happens on big touted films. And when they don't perform, the market is left a little disappointed. The advertising market is left a little disappointed.

So as long as some of the bigger films like Avatar did well, Drishyam did exceedingly well and because of which we were able to garner some great numbers. And we believe that this momentum is now only on the uptake, even in the coming quarter, we believe that we'll be able to maintain better recovery than what we posted. So clearly, the sentiments are changing for the better, and we believe that we are back on the track.

Moderator: The next question is from the line of Lavanya from UBS.

Lavanya: Hello. Am I audible, sir?

Moderator: Ma'am, the audio is very low from your line.

Lavanya: Okay. Is it any better?

Nitin Sood: No, we can't hear you.

Lavanya: Okay. So I just wanted to understand what kind of...

Nitin Sood: I'm sorry, but we are unable to hear you clearly. We're not able to hear you clearly.

Moderator: Ms. Lavanya, please use the handset mode?

Lavanya: Yes. I'm on the handset mode, I'm not sure if there is an issue. Maybe I'll join the queue. Thank you

Moderator: The next question is from the line of Prateek Poddar from Nippon India Mutual Fund.

Prateek Poddar: I have just two questions. One is if you could just talk a bit about the health of single screen owners, given that if I were to adjust the admits on a per screen basis we are substantially lower than the minus 16% reported. So that is one.

And second is just, I think you did talk about the narrative around advertisement. It's more about the narrative, which has led to lower advertisement income rather than the propensity of, let's say, the FMCG guys to spend. So, I just wanted to confirm whether that is true or not.

Nitin Sood: So, let me answer the first question first. The same-store admissions like you rightly said, when we do our comp, non-comp analysis are marginally higher. If you look at -- there has been average about 3% increase in seat count versus where we were in Q3 of last year, and you combine that with 16% admission drop.

So yes, if you add both the numbers, the comp drop in admissions has been roughly about 19%-20%. And we break down our circuit to be realized that bulk of that drop has largely been in the markets of North followed by West, South has seen the smallest amount of drop because the southern films have actually done equal or better, but very small percentage of revenue which comes from Hindi and Hollywood in those markets has been the big reason for a small drop that we are seeing in South India. So that's the broad overall analysis in terms of admission drop. I'll let Gautam respond to the second question.

Nitin Sood: Sorry, can you repeat your second question on advertising?

Prateek Poddar: No. My question was on single screen. What is your view on the single screen owners given for the health of single screen owners in terms of -- as you said, right, Nitin, that there's a 20% kind of decline on a like-to-like basis. Just wanted to understand the industry structure from a single screen owner perspective, whether they are seeing equally or they are more under distressed versus us?

Kamal Gianchandani: Nitin, I can take this. It will depend on which geography you're looking at. So, if you're looking at Karnataka, they've had a fantastic year, one of the best years since they've been existing. If you look at Tamil Nadu, very good year.

If you look at Telangana and Andhra Pradesh very good year. But if you look at maybe Kerala, not such a good year because they had longish lockdowns, a lot of films, a lot of Malayalam films ended up going to streaming platforms. Similarly, if you come to North or to Central India or to the western part of the country, western part, the single screen damage has been less because Gujarati films and Marathi films have done reasonably well.

But the maximum damage has been in East where Bengali films have done well, but there has been a drop in Bengali films. And Hindi, of course, we spoke about there has been a drop. So, it depends which territory you're looking at. But I think your question is more overall, how are single screens faring vis-à-vis multiplexes. And if I get the question right, there is a big difference in occupancy percentage.

There is a big difference in terms of our ability to have these ancillary revenues like advertising, F&B, convenience fee, VPF, the various other incomes that we have in addition to our core income, which is box office, their ability is limited. So as a result, their revenues as well as profitability has always been in pressure. So, to that extent, the narrative is the same, even pre-COVID, single screens were under pressure, they continue to be under pressure post-COVID as well.

Prateek Poddar: And second question, just extending this regional differences, which we are seeing. Even in your advertisement income, is it that the South advertisement income is higher on a per screen basis than what it is in North and West? Is that a fair assumption because of the admits over there, I'm assuming would be higher?

Gautam Dutta: Yes. Currently, it is trending better. But as things normalize and we come back to normal trends, then it's largely divided amongst the top-tier cinemas, which would have a similar average then followed by the second tier and then the third.

But currently, if you look at it for this year, clearly, South screen seems to be gaining a lot more revenue, even businesses and clients out of West and North are wanting to advertise a lot more in South.

Prateek Poddar: And are you back to pre-COVID levels on advertisement income in South?

Gautam Dutta: No, we are marginally down. We are still down -- the recovery is about 80-odd percent in South, yes, that's what the real numbers are.

Prateek Poddar: But why is it so?

Gautam Dutta: Because the retail industry there has not really fired. That used to be very, very big for businesses in South, especially Tamil Nadu, which is taking time, and that hasn't really fired for us.

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

Aliasgar Shakir: I have a question on your average ticket price. So, I understand that we priced tickets based on how well the movies are doing and I mean while occupancies have been a little soft, I still see we've -- in this quarter, if I compare versus pre-COVID is still nearly about 20% up. So, you think that is a lever that can play to revive occupancies at least in the near-term, given that we are seeing little soft. I know that probably understanding is that maybe content is also not fired, but just to attract audience to the screens, if that's one of the tool you are looking at?

Gautam Dutta: Basically, pricing is a lever to sort of play on occupancy, but we have also been seeing a trend where consumers are saying that their time is the biggest asset they put forward. So, when it's a good film in the second and third week we do play heavily on pricing to make sure that we get more and more consumers coming in.

At the same point in time, we've also observed that when there are big and good films coming in, we have the opportunity to be able to take up pricing up and maximize revenues at that juncture. And that's exactly what we are trying to do with content that does not connect or is slightly weak or gets rejected. No amount of pricing reduction really helps to garner more footfalls.

So, it is handled very, very tactfully using a lot of data. And we believe that we will be able to maximize playing the kind of content that comes out and then pricing it accordingly, thanks.

Aliasgar Shakir: This 20% increase would have had any impact on occupancies?

Gautam Dutta: 20%?

Nitin Sood: No, we don't think the pricing has any impact on the occupancy.

Kamal Gianchandani: Just to add to what Gautam shared, just keep in context that we've not increased price since 2019 January, which is when GST rate was reduced, would just keep that piece in context. And once you sort of realize that prices have been increased after a gap of almost 3 years, 20% compounded growth is only about 5.5%, maybe 6%.

Gautam Dutta: And also just to sort of inform you that with Cirkus over the weekend after the first day when people were not kind of connecting to the content, we did drop the pricing to 100. So, we keep doing such experiments across the board in different markets continuously to learn and to come to grips with newer ways to price. But we've actually not seen much traction there. It is the good content that really plays out well.

And then it's about timing. Week one, week two is where you need to maximize. Week three and four is when you can play on advertising and get more and more people. And this is exactly what we did in the case of Brahmastra, where the first two weeks, we really maximized and the second two weeks, we really pulled in more crowds through giving pricing offers.

Moderator: The next question is from the line of Ashutosh Chaubey from Centra Advisors.

Jensen Jacob This is Jensen Jacob from Centra Advisors. I had a question based on the advertisement income. We have already mentioned that it depends on the big films and also you're facing supply side issues on the retail industry. But there is a difference between the ad income per screen of PVR and INOX. So post-merger, what can we expect? Can we expect it to get back to pre-COVID levels of PVR? Or should we expect an average ad income per screen?

Gautam Dutta We will not like to comment at this point in time. There's a lot of work that needs to happen. But just to tell you our way forward in terms of this is, there are some great properties, which INOX has and when our teams will start working on them, we are quite hopeful that they should sort of come to PVR's level. But so, there is a certain slotting and a science that gets used to not only sort of price inventory in the cinemas, but also a way to sell. And yes, to a certain extent, the merger will affect and positively affect the revenues of our partner, but there is a lot of work and detailing to be done on this.

Jensen Jacob Also one more question regarding the merger. Post-merger, how will the brand be affected? Will -- since both the brands are going to be operating on a -- as separate entities. But how will the branding improve INOX's numbers or PVR's numbers?

Nitin Sood: So just to clarify, and we've said this in the earlier media reports that once the merger is completed, which we expect to be completed in this quarter, which includes issue of PVR shares to the INOX shareholders, etcetera. Merger will stand completed. At a consumer level, whatever cinemas are existing as of today will continue to exist with the existing branding. The company's name will change as PVR INOX Limited. There are a lot of cinemas, which are currently in the pipeline, so they will open as it is.

But over the next six to eight months as the new pipeline comes shape, the new cinemas would open with the improvised branding. So as far as consumer journey is concerned, there is no change. I think both the brands will continue to exist on the ground. And at an operating level, there will be only one legal entity and the management teams have already started engaging together to figure out long-term business analysis.

Jensen Jacob: And we understand that you've already given a guidance of reaching 3,000 to 4,000 screens post-merger. But after that, are you expecting any inorganic growth? And what will be the future possibilities?

Nitin Sood: No. We are currently focused on integrating both the entities. And over the next 12 months focused on getting the best out of the integration of both the entities and we have a massive pipeline of screens to execute going forward. That will continue to be the focus. We are not looking at any further inorganic opportunities.

Moderator: The next question is from the line of Nitin Sharma from M.C. Pro Research.

Nitin Sharma: Two questions, if I may, can you please talk a bit detail about the occupancy region-wise that changed this quarter? Last quarter, there was a good 12% to 13% decline sequentially -- South vis-à-vis North and West. So how it has much changed? I'm trying to gauge what kind of pockets of recovery are there? And then I have a follow-up.

Nitin Sood: Yes. We don't share specific numbers on our region-wise occupancies. But like I said in the earlier comment that I made in response to a question. We've seen that this year, the biggest hit has been in Northern India, which is a market which is largely dependent on Hindi films and Hollywood films. West dip has been slightly lower because Gujarati and Marathi films have continued to work and some of the local regional content down South, Kannada films like Kantara have done much better in the Western part of the country as compared to North.

South has seen a very little drop. It has seen a drop, but it has seen a very little drop in average occupancy. And that drop is largely attributable to proportion of Hindi and Hollywood films contribution to admissions in those markets. The admission contribution of South Indian films, has actually grown or got better in South India. So that's the broad analysis and which we also shared as a big picture level in our slides in the presentation.

Nitin Sharma: And just a book keeping question. So, are you on target to do 125 screens by end of this financial year, or it has changed? And how many fees -- would be there on average?

Nitin Sood: Yes, we've given a guidance on that in all our investor presentations and quarterly updates. And even in our investor deck, we mentioned we are on track to open 110 screens, and we have given screen-wise details as well.

Moderator: The next question is from the line of Sumit Sarda from Compound Everyday Capital**.**

Sumit Sarda: Yes, my question is a little longer-term oriented around balancing growth with capital discipline. We have seen the US market with how growth without that discipline can be took all of giants like AMC and Regal. Of course, India has had a difference trajectory than US and market is still growing, and therefore, we have been growing very fast.

But going forward, do you think that it would be prudent to as far as our organic growth is concerned, grow more out of internal accruals rather than borrowings or dilution. This is also in relation to the fact that because of vagaries of content, etcetera, higher debt can also lead to some kind of.. increase the risk on the balance sheet? That's question number one.

Nitin Sood: No. Fair point. And it is now for the Board of the merged entity to give us some guidance. But yes, I think the broad thought process is that the combined operating earnings of the merged entity should be significant enough to fund all the growth from here on. Obviously, when you look at the current year, it doesn't look so promising given the content challenges we face, but we believe that is more a short-term issue, which will get resolved over the next 12 to 18 months. And as we bounce back in terms of admissions and earnings, the combined earnings should be good enough to take care of the expansion ahead.

Sumit Sarda: And second question around that is, are there any ways in which we can further reduce the capital intensity in the business?

Nitin Sood: Yes, I think as we expand to more smaller markets, our capital intensity in the business should start coming down. We're already doing projects in some of these smaller markets where not only our capital outlay is lower, but I think we are getting more favorable terms from landlords and developers who want us as a brand. So, they are willing to contribute a lot more in building a cinema, which reduces our capital outlay. And the focus will be to continue to improve our capital efficiency as we go ahead and build the next level of screens.

Sumit Sarda: Last question, if I may, is around. Do you go through a formal process of evaluating the screens which are towards end of their lease tenure, how their finances have been and does it may or make sense to renew or not to renew?

Nitin Sood: No, it's -- there is no right or wrong answer to this. Each location is unique. And we take those views based on how that location is performing towards the end of its lease cycle. And then accordingly, we take decisions.

We between 2020 and now we've shut down 47 screens where leases have either ended or they have come to the end of the life cycle. So those decisions are very driven by location and could vary from location to location.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Nitin Sood: I just wanted to thank everyone for taking out time to attend this call. In case you have any follow-up questions, please feel free to write to me or my colleagues, Gaurav Sharma and Saurabh Pant and we'll be happy to answer your queries. Thank you.

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