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The Manager - Listing

National Stock Exchange of India Limited

(Scrip Symbol: PVRINOX)

The Manager – Listing

BSE Limited

(Scrip Code: 532689)

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

Dear Sir / Ma'am,

This is with reference to and in continuation of our letter dated 31st July, 2025 and 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 participated in the conference call for analysts and investors held on Wednesday, 6th August, 2025 post announcement of Un-Audited Financial Results for the First Quarter ended on 30th June, 2025.

A copy of the transcript of the proceedings of said conference call is attached herewith for your information and records.

This is for your information and to all concerned.

Yours sincerely,

For **PVR INOX Limited**

Murlee Manohar Jain

SVP - Company Secretary

& Compliance Officer

Encl: A/a.

PVR INOX

“PVR INOX Limited
Q1 FY '26 Results Conference Call”
August 06, 2025



MANAGEMENT: **MR. AJAY BIJLI – MANAGING DIRECTOR – PVR INOX LIMITED**
MR. SANJEEV KUMAR – EXECUTIVE DIRECTOR – PVR INOX LIMITED
MR. GAUTAM DUTTA – CHIEF EXECUTIVE OFFICER -- REVENUE & OPERATIONS – PVR INOX LIMITED
MR. GAURAV SHARMA – CHIEF FINANCIAL OFFICER – PVR INOX LIMITED

MODERATOR: **MR. ABHISEK BANERJEE – ICICI SECURITIES**

This transcript has been edited for factual errors.

Moderator: Ladies and gentlemen, good evening, and I welcome you all to the PVR INOX Q1 FY '26 Earnings Call. As a reminder, all participate lines will be in 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. Abhisek Banerjee from ICICI Securities. Thank you, and over to you, sir.

Abhisek Banerjee: Good afternoon, everyone. On behalf of ICICI Securities, I would like to welcome you to the Q1 FY '26 earnings conference call for PVR INOX Limited. Representing the company, we have Mr. Ajay Bijli, Managing Director; Mr. Sanjeev Kumar, Executive Director; Mr. Gaurav Sharma, Chief Financial Officer; and other senior management personnel. The call will begin with brief management remarks followed by a Q&A section.

I would now like to hand over the call to Mr. Bijli for his opening remarks. Over to you, sir.

Ajay Bijli: Thank you very much, Abhisek. Good evening, everyone. I'd like to invite you all to discuss the unaudited results for the quarter ending June 30, 2025. We uploaded the earnings presentation and the results on our company's and Stock Exchange's website earlier today, and I hope you've had a chance to review them.

The Indian box office has started on a strong note in FY'26, led by robust performances from both Bollywood and Hollywood movies. Bollywood box office collections surged by 38% year-on-year, driven by a steady flow of successful titles such as Raid 2, Sitaare Zameen Par, Kesari Chapter 2, Housefull 5 and Jaat.

The year so far has relied less on the big ticket blockbusters and more on a consistently performing steady flow of films with five Hindi films crossing the INR100 crores mark, including three films, which crossed the INR200 crores mark.

This signals a healthier theatrical environment where performances are less skewed by mega blockbusters and more anchored in the sustained strength of mid to high performing titles. Hollywood movies too, where PVR INOX enjoys a dominant market share, delivered a sharp 72% year-on-year growth in collections, powered by super hit franchises like Mission Impossible, Final Destination and Ballerina.

The major summer event film like F1 Inspired by the World of Formula 1 also stood out with its high-octane racing action, placing it among India's top-performing Hollywood releases for this period.

These titles performed exceptionally well in our premium and experiential formats, which recorded an impressive 20% year-on-year growth in admissions. On the other hand, regional content demonstrated stability. Regional performance was well supported by hits like Good Bad Ugly in Tamil, Thudaram in Malayalam and sleeper hits like Tourist Family in Tamil. We continue to focus on our manufacturing footfalls initiatives to drive demand generation. In April,

we launched blockbuster Tuesdays offering tickets starting at just INR99, which has quickly emerged as a very high-impact footfall driver for value-conscious weekday patrons.

Impressively, it brought nearly 1 million new and lapsed transactors back to cinemas, highlighting its effectiveness in revitalizing weekday cinema going habits. Our live events initiative also progressed well with screenings of IPL matches, which drew enthusiastic crowds and showcased how cinema halls can be multipurpose entertainment venues.

While these initiatives delivered strong engagement, the quarter also saw some external disruptions and the release of Punjabi film like Akaal and the indefinite suspension of Sardaar Ji 3 collectively impacted footfalls, resulting in a loss of nearly 6 lakh to 7 lakh admissions.

All key operating metrics registered strong year-on-year growth. Admissions rose to 12% -- by 12% to 34 million, while average ticket price increased by 8% to INR254. We also achieved our highest ever spend per head on F&B at INR148, reflecting a 10% year-on-year growth. Advertising revenue reached INR110 crores, the highest for any quarter post pandemic, marking a 17% increase over the previous year.

In terms of the financial results for the quarter, the following numbers were calculated after adjusting for the impact of Ind-AS 116 on lease accounting. Total revenue for the quarter was INR1,488 crores. EBITDA was INR114 crores and PAT loss was INR34 crores as compared to revenue of INR1,209 crores, EBITDA loss of INR20 crores and PAT loss of INR137 crores in the same period last year.

On growth investment front, we are actively implementing the capital-light growth strategy. During the quarter, we opened a total of 20 new screens, of which 14 were under asset-light and FOCO models. In addition, we have signed 55 new screens under the FOCO model and 72 new screens under the asset-light model, reinforcing our focus on capital efficiency and scalable expansion.

During the quarter, we have not closed any screens. Our net debt stands at INR892 crores at the end of June 2025, marking a reduction of INR61 crores since March 2025 and an impressive INR539 crores or 38% reduction since the merger, underscoring our commitment on financial discipline and deleveraging.

The upcoming quarters look promising with a robust lineup of releases across languages. Key titles include War 2, Coolie, Jolly LLB 3, Ikkis, Thama, Tere Ishq Mein, Dhurandhar, Avatar: Fire and Ash, Rajasaab, Alpha, Border 2, Love & War and Toxic. With such a diverse and high potential content slate lined up, we expect strong audience traction and healthy footfalls in the quarters ahead.

We will continue our efforts towards manufacturing footfalls through innovative promotions and programming while prudently managing cash flows and reducing leverage. Our current screen portfolio stands at 1,745 screens across 353 cinemas in 111 cities in India and Sri Lanka.

Thank you for joining us today. I now open the floor for any questions you may have.

- Moderator:** The first question is from the line of Abneesh Roy from Nuvama.
- Abneesh Roy:** My first question is on the FOCO and asset-light models. So you've opened around 14 screens in these 2 models this quarter. So if you could comment what was the response. And if you could also comment on the FY'25 screen openings, if any, in this model. Any tweaks that are needed in terms of expansion? And are you happy with the initial response in these 2 asset-light and FOCO models?
- Ajay Bijli:** This is Ajay Bijli, Abneesh. Yes. I mean out of the 20 screens that we've opened, Raipur is on FOCO model, Jabalpur is on FOCO model, and also Director's Cut in Mall of India DLF project in Noida is an asset-light model. And we are extremely happy because we are not compromising on any of the things that we look at when we do a normal lease model, even when we're doing these models. Because, in fact, our responsibility increases to make sure that these projects are successful and quality of the operations, quality of the fit-outs are equally good.
- And the response even from the developers and those who invested money in the FOCO model is also very good. So I think as I mentioned in my opening speech or whatever talk, 127 screens have already been signed, and we're going to be opening these screens in the next -- in this financial year and the next financial year, 18 to 24 months.
- This is obviously the EBITDA margins are going to be same as what we normally look at, but the ROCE, because the contribution is less from our side and more from developers, but the ROCE numbers are much healthier. And it's part of our strategy to sweat the brand now, which is recognized by all stakeholders, especially the developers and the consumers, that much as the way it has been done in hospitality for a long time, but I think it's the first time a cinema company has basically gone on this path. And we are very happy with the results.
- Abneesh Roy:** Sure. My second question is on your manufacturing footfall initiative. Tuesday INR99 pricing seems to have done well. Now weekend customer and weekday customer generally is a bit different because of the nature of the job profiles, etcetera. So does it make sense to extend Tuesday to bit more weekdays?
- And second question is on the F&B side also you have done affordable pricing. Any numbers you can share that on a percentage basis conversion of the occupancy? How can we judge that this is also working? Because in India, anything affordable always works. Just wanted to understand if any data points you can share how it's working?
- Ajay Bijli:** Sure. Is it okay, Abneesh, if I give the answer to -- request Gautam to answer this, yes? Gautam, can you answer this, please?
- Gautam Dutta:** Yes, sure. So your question on whether this affordable pricing is working, the first answer is that if you look at our 10% growth, the majority of the growth is coming through value and not through volume, which is very healthy in the sense we are able to take the strike rates up by converting some of our non-eating consumers on the weekdays through the INR99 plan. And through the unlimited refill promotion that we run over the weekend, we try sort of to cover a larger audience through that.

So by and large, there's been a very focused approach on trying to get more conversions to the candy as well as keep the pricing up there. So the split between -- on the growth is 50-50 or 60-40 in favor of volume to value. And that shows clearly that this is working.

So that was -- and what was your first question? On -- whether we can extend the pricing to weekends? No, we don't want to do that.

Abneesh Roy:

No, that was not the question. My question was, currently, I think the INR99 is more on Tuesday. And now weekend and weekday crowd is different. So instead of Tuesday, can you have one more weekday? Does it make sense?

Gautam Dutta:

No. This is an industry-specific program where not only PVR INOX, but the entire industry has been galvanized to actually have this specific one day off. We don't want to start shifting our value customers from other days into INR99 day because that would begin to erode our profits.

The idea was to get new customers on a specific day, and it's working brilliantly well. We don't see the need for extending it beyond one specific day because, as you would understand that cinema does cater to various audiences with different pocket size, and this day has been marked out for people which are time-rich, cash-poor and still have the ability to walk into a PVR INOX cinema or any cinema for that matter.

And because all the cinemas are at INR99, we get that advantage because clearly of our positioning. And that's a big one for us. So we don't feel the need for extending it beyond one day of the week.

Abneesh Roy:

So one follow-up, I wanted to understand more in terms of the understanding. So you mentioned industry-wide Tuesday, that is something which I get. What I did not get was time-rich, cash-poor. Now if you see weekend audience, generally, my understanding is will be the office-goer and the student who has classes on the weekday. So isn't the customer base largely disparate? So if he's free on Tuesday, there can be customers who are also free, say, on the Thursday or Wednesday.

So I just wanted to understand why only one day you are restricting. By opening up more weekdays, which are anyway under-occupied, what is the issue? Because see, someone who is coming on weekend, he is office-goer or a student who has classes, right? So to that extent, he can't come on the other weekday.

Gautam Dutta:

Yes. I understand. But the way we look at it is that the weekend is more family. And the way we classify them is cash-rich, time-poor is the weekend customer because he has the ability to pay. And we would really want to cash in on that audience in a different manner.

The fact is Monday to Thursday, any which way, we operate on lower pricing than the weekend, Plus on the Tuesday, we even lower it further to INR99 flat pricing. So we believe that we are giving audience such as students, housewives and senior citizens, which are largely the case between Monday to Thursday, opportunity to come and watch the film.

But even on Tuesdays, even for the drop down to INR99, on a weekends, we believe that we any which way work on higher occupancy. If you see the weekend occupancies are much higher than the weekday occupancy, that is largely because of the fact that it's a family audience. And this audience is willing to pay additionally for a great experience of coming to a cinema.

So this is how we have allocated time zones for just about every category within the space. And it's kind of worked for us. We don't feel that there would be a need to change that equation because we need to maximize on a few days. Fridays, Saturdays, Sundays also, the first 3 days of when a movie is absolutely fresh and caters to an audience which is willing to pay the maximum price. As days and weeks go by, the pricing keeps coming down and keeps opening a different subset of the market for us. That's the way we've planned it.

Abneesh Roy:

Sure. Last question. So highest ever SPH. If you could discuss what was the reason. Second is post-pandemic, highest Q1 ad revenue. So what was the key drivers here? Was it the Hollywood box office finally seeing a good number, INR200 crores after 2 years, and now the Hollywood pipeline is looking good.

Overall advertising when I see for FMCG and for the media companies like Zee and others, it is not that good. So you have obviously done better. Your overall ad revenue is a bit more unpredictable and a bit more movie-led. But what is the key driver for ad revenues being multiyear high from a Q1 perspective?

Gautam Dutta:

So on advertising -- for advertising revenue, we tend to lean a lot on big starrer films. That is something that has always worked for us. Unfortunately, sleeper hits don't work for advertising business. So from that point of view, we had some big starrer films that came in, which was Kesari with Akshay Kumar. He also endorses a lot of brands.

We had Ajay Devgn in Raid 2. We had Good, Bad, Ugly with Ajith again, which -- who endorses a few brands in the South. All of these bigger films -- and Sitaare Zameen Par, of course. The fact of the matter is we garnered fairly decent advertising revenue on back of these films which did not only -- which opened well and had huge expectations with the advertiser, and because of which we were able to get better numbers.

Abneesh Roy:

And SPH?

Gautam Dutta:

On the SPH end, as I said, the INR99 menu on the weekday and the unlimited popcorn and Pepsi refill pack, along with that offer where anybody could buy a glass of Pepsi by paying INR50 extra, all these offers really helped us to increase strike rate and get the SPH up.

Also the fact that some of the big films that came in this quarter were Hollywood films, which actually garners a very different audience, which is a high-ATP audience and they like to come and spend. At the candy, there were hardly any films where the youngsters came in alone. So this was all family content that came in, a high spending audience that came in, and because of which we were able to sort of galvanize a better SPH.

Abneesh Roy:

One clarification here, does the INR99 pricing help you in augmenting SPH? Because I thought INR99, affordable pricing, it may help you in conversion. It may help you in getting new

customers. But we are talking about spend per head, and INR99, the affordable pricing, does it help SPH in going up?

Gautam Dutta: Yes, it does. It does because if you look at the way it operates Monday to Thursday till 6:00 p.m. Till 6:00 p.m., our strike rates are normally slightly dented because of the kind of consumer we get. Again, these are very value-conscious consumers who would typically wait for a Monday to a Thursday and come and watch a film. And they, at times, found our F&B pricing a bit high or -- but with INR99, they were easily able to convert. So you've got to see that while the SPH was low, but the conversion was better, thanks to the INR99 offer.

Abneesh Roy: Okay. I'll discuss offline. I still don't get it. But thank you.

Moderator: The next question is from the line of Vaibhav Muley from YES Securities.

Vaibhav Muley: Congratulations on a good set of numbers. My first question was on your asset-light and capital-light strategy. So going forward, what kind of margin expansion do you foresee because of the addition of capital-light screens? The reason I'm asking is there has been a significant cost reduction across the cost headers in Q1 results. So is there any particular reason for that? Or are we already starting to see the benefit of shifting towards capital-light model?

Gaurav Sharma: So -- Gaurav here. Today, if you look at our circuit, the number of screens which are on asset-light are very miniscule. So to answer your question, the control on cost that you are seeing is not because of asset-light. It's largely because of the cost discipline and various efficiency initiatives we have implemented across our circuit, electricity, water, utilization of resources, optimizing and controlling on a variable basis linked to footfalls. All of that is driving the control on fixed cost, not because of FOCO or asset-light.

Going forward, yes, majority of our new screen additions will be under the asset-light model. And in asset-light model, as I said, 2 different are there. One is a FOCO where we don't consolidate the P&L. We only get the management fees. And the other is where we have a developer invest or co-invest in the capex, where we share a certain percentage of rental -- incremental rentals with the developer in lieu of his investment, where there is a margin impact, but that margin impact is, to a large extent, taken care by the improvement in ROCE.

And as a result, the free cash flow that the property will generate in the breakeven period improves dramatically. So -- yes, so that's our response. Any further questions or any points you want to clarify?

Vaibhav Muley: So we can expect the current levels of cost as a percentage of sales to continue going forward or even reduced from the current levels?

Gaurav Sharma: Yes. I think you -- in the near term, the existing cost structure will continue. But as the share of asset-light improves -- increases over medium to long term, the cost structure will shift a little bit.

Vaibhav Muley: Understood. My second question was on the performance in July. So you have mentioned in your press release regarding highest admissions in the past 18 months. But in terms of financial

performance, what kind of color you can provide for the -- one month and one week gone by. So what kind of admissions we are seeing and also the trend in terms of ATP and SPH? If you can provide a broad color.

Gaurav Sharma: Yes. I think July has been a very, very strong month. Hindi films like Saiyaara, Mahavatar and English films like Jurassic World, Superman, even regional films have done very well. So all across the board, across all languages, the turnout of admissions and occupancies have been pretty strong. I think we would not like to comment specific on financials for the month of July. We will report that as part of our quarter 2 earnings and give you more insight on how the quarter, including July month has panned out.

Vaibhav Muley: Perfect. And just lastly on the net debt. So we have reduced the net debt by around INR61 crores in the Q1. So can we expect more net debt reduction because free cash flow generation can be pretty strong going forward given the kind of outlook that we have. And now we are shifting towards the FOCO and capital-light model as well. So given the strong free cash flow generation, net debt should accelerate going forward?

Gaurav Sharma: Yes, that's our priority to reduce net debt. I think you should expect the net debt levels to further come down. As the operating cash flow increases, we will use the surplus cash to pay down debt. Yes. So you should expect further reduction in debt levels.

Moderator: The next question is from the line of Jayaram Shetty from ICICI Securities Limited.

Jayaram Shetty: Sir, what could be the impact of the Karnataka tax on PVR profitability and operation, overall operation?

Gaurav Sharma: So yes, the Karnataka government order is yet not notified. There was a draft notification released in mid-July, where the government sought feedback and objections from the public at large. A lot of feedback and objections have been sent out, more than 700 objections on the price cap has been sent out to the government. We have not yet heard anything after that. There is no clarity by when this notification, if at all, will become applicable.

But also whether this will be applicable across the board or there will be exclusions in terms of weekday sorry, weekends and special formats and whether tax will be part of this 200 cap or not. So there are a lot of moving parts depending on the final structure of the government order, including the applicability across premium formats and weekends, the financial impact can be determined. So I think at the moment, it's a little bit premature for us to comment on this aspect.

Jayaram Shetty: Okay. And my second question would be your consolidated loss has narrowed down significantly to INR54 crores in quarter 1 FY '26. So what are your key levers to sustain this momentum through FY '26 and beyond?

Gaurav Sharma: Yes. I think in our business, the biggest driver of revenues and profitability are footfalls. So the lineup of films across languages in the upcoming months and quarters is something which we are pretty optimistic. We feel that the momentum will -- momentum is very strong currently, and the lineup will only support this momentum. So that's one lever. Other is pricing on our tickets and F&B. We are very careful. We are doing a lot of initiatives.

We are also trying to address the price-sensitive audience by bringing out more promotions on both tickets and F&B through various initiatives. And third is our control on operating costs. That is something which is a top priority for the entire organization. We are trying to make sure that the cost discipline continues. So yes, these are the three big drivers for the profitability in the remainder of the financial year.

Moderator: The next question is from the line of Vaibhav Muley from YES Securities.

Vaibhav Muley: I just had a follow-up regarding 10 movies have done more than INR100 crores of collections for the quarter. So what has qualitatively changed according to you compared to previous quarters? Of course, one of the reason is slightly improved content pipeline.

But apart from that, we have had good movies in the past as well, but revenue distribution has been very skewed towards a particular movie, while many of the movies have performed poorly on the box office. So what exactly has been changing fundamentally among a consumer that has led to more distributed collections across movies?

Gautam Dutta: So there could be many reasons for this, and we keep debating internally as well as keep checking with consumer and do deep insight sessions with them. But what we clearly are getting is that there is an OTT fatigue. Clearly, that's one. The content overall has become a lot sharper and better. And the fact that people do want to come out and understand and enjoy this movie experience is the pivot point.

The more and more that we are talking to consumers is they are saying the best and the only way perhaps to enjoy an unadulterated movie experiences at the cinema. So I think the swing is completely back, and you can see this across -- we've been sort of doing deep research at each of our cinema locations. The sheer footfalls has increased and consumers are very actively now seeking for fresh content.

And I think what we've been lucky is the fact that the directors and producers of new content have clearly got the vibe of the consumer and are creating stories, which are kind of connecting with the today's audience and their requirement. Also, one big move that we are seeing is this whole shift from stars to stories. I think if you look at the success of some of the films, you will clearly see that the move from just a multi-starrer or a big starred film to great stories has come into play. And that really augments better footfalls to the cinema.

The last point that we have kind of again captured through the creative fraternity is now across the board, whether it's Bollywood, Hollywood or Tollywood or the regional film, they're all eyeing a pan-India market. So there is no longer a regional divide for a film. So if you talk to today any film creator, he's not creating a film for a certain boundary. His stories, the way they are shooting, the way the production values are, they are trying to cater to a much, much larger audience and which really augments really well for us.

Regional content is on a high. And along with the fact that regional stars -- and when I say stars, I mean great actors are coming into fore. This is something which we will continue to see even in the 2 big starer films, which are due to come on 14, which is Coolie and War, where we have the leading Bollywood and the South stars coming together. And same is the case with Coolie,

same Rajinikanth and Aamir Khan coming together. So I think this is a few trend lines that we are seeing, which is resulting in higher footfalls at the cinema.

Vaibhav Muley:

Understood, sir. Just a follow-up on that. You said OTT fatigue is there. So what do you mean by that? Are the investments behind OTT platforms are starting to slow down or new content -- the amount of new content is slowing down? Or it's just that the consumer preference is now again shifting towards the movie exhibition, towards the movie on the big screens?

Gautam Dutta:

While I will react more from an outside-in perspective, we don't have an inside view of what's happening really at the OTT side. But what -- if you see is, it's not as if that there is a complete lack of content. Content is coming in there as well, but there's clearly a fatigue where people are saying, I've seen it all. In fact, they seem to be now getting into a rut where a similar kind of content is finding way.

They have now got into a bit of a constraint where stories, cast, everything is playing to a certain plot, whereas cinemas have started to now break the mold, come up with far more fresh stories and coupled with a great experience that the family gets when they come and visit a cinema because this unadulterated cinema experience is something which only cinema can deliver.

Sitting at home, there are just far too many distractions which consumers are now coming to terms with. And what happens is we've often seen that through 20 years, 25 years that once a consumer is out to watch a film at the cinema, he gets hooked on and would come back to a cinema quite often. So if he comes out once, you will see the same customer coming out again and again and again because that's when he begins to enjoy the sheer experience of a cinema.

Vaibhav Muley:

Got it, sir. And is there any chance of improving the -- increasing the OTT window from the current, I think it's about 4 weeks and also to make it consistent across regional languages?

Gaurav Sharma:

No, the current window is not 4 weeks. For Hindi films, the theatrical window is 8 weeks before it's available on streaming. And the global windows are also 6 weeks for a pay-per-view or transaction and minimum 8 weeks for subscription-based OTTs. Windows in South India are slightly shorter. But there is no change, and these are the windows which were there in pre-COVID period also and the same windows are currently applicable.

Vaibhav Muley:

Got it. And just lastly, on the -- I had heard Mr. Bijli saying that PVR will eventually become along with the movie exhibitor and overall platform for out-of-home entertainment and entertainment consumption entity. So are there any steps that we are taking in that direction from a long-term perspective?

Gaurav Sharma:

So I think our mainstay -- the way the infrastructure is designed is for movies, what our long-term view is that how we can utilize the existing infrastructure for alternative content other than movies. And that is the strategy that we want to focus on, which is to say that if we can do more of live event screenings, IPL matches, comedy shows, conferences in our cinemas, which are not dependent on films only.

And the other piece is rereleases of the huge library of films that we have access to, depending on the audience buzz around what sort of genres and films that they would like to see, we decide

on a rerelease strategy. So we want to use our existing cinema infrastructure for multipurpose entertainment out of home, including movies and other live events and alternative content.

Moderator: The next question is from the line of Kavish Parekh from B&K Securities.

Kavish Parekh: Congratulations on a good set of numbers. Firstly, on the margin front, fairly healthy show, 730-odd bps sequential margin improvement on the back of 150 bps occupancy expansion. You've already touched upon that part of it was aided by increasing share from Hollywood, part from cost control. Any cost levers that can further be exercised to sustain or rather derive these benefits in lull periods, which usually see sharp dips in margins? Any thoughts on that?

Gaurav Sharma: Sorry, can you repeat your last sentence? It was not very clear.

Kavish Parekh: So increase in share from Hollywood as well as cost control aided us to deliver these margins. Any cost levers that can further be exercised to sustain or rather derive these benefits in lull periods, which usually see sharp dips in margins?

Gaurav Sharma: Yes. Our business is a business which is dependent on flow of footfalls and admissions. And over the course of last 2 years and especially post merger, we have leveraged technology, we have leveraged scale to control and variabilize our cost at the ground. So when there is less number of footfalls or week days, our usage of contractual staff is accordingly monitored and altered.

Similarly, for electricity, air conditioning, utilities, it's also controlled based on occupancy levels within the cinema hall. As a result, we are able to control electricity cost. We are also deploying solar panels in cinemas where our dependence on grid electricity reduces and cost-effective solar electricity is being supplied.

So these levers are being put into place, and they will give benefit to us. But yes, I think most of the cost areas we have explored and we have put in place the efficiency measures. Benefit of this will be visible as the operating leverage in the business shows up with increase in footfalls.

Moderator: If there is no response from the current participant, we will move to the next participant. The next question is from the line of Umang Mehta from Kotak Securities.

Umang Mehta: So my question was again linked to one of the previous participants. While you mentioned that you can't share details on July kind of profitability, you delivered 6.5% margin with 22% occupancy. As we enter the seasonal period where ATPs will be even better, would it be too farfetched to think that with the 25%, 26% occupancy, you could do mid-teen or even higher EBITDA margins, I mean, given the current cost structure?

Gaurav Sharma: See, if you look at our financial year '24 results, which is a year ago, at a 25% occupancy, we did about 13.5% EBITDA margin. So that's a mid-teens EBITDA margin at a 25% occupancy. Now a lot of the margin is dependent on how the other levers in the business like pricing, advertisement income, cost, they pan out. So yes, I think it's very hard for us to say where exactly the margins will be if the occupancies are 25% in subsequent quarters.

- Gautam Dutta:** I'd like to add one point to what Gaurav said. If you traditionally look at our business, our business quarter 3 is by far the biggest quarter. So as far as the trend goes, quarter 1 and quarter 4 are kind of comparable. And then the biggest quarter is quarter 3 followed by quarter 2. So the better quarters are yet to come. So from that point of view, overall, all the matrices going up is quite likely.
- Umang Mehta:** Understood. That's helpful. The second one was on the full year kind of footfalls. Now we generally rely on your assessment of the pipeline on how it looks for the rest of the year. Would you be confident at this stage that footfalls for the year could cross FY'24 levels, roughly around 150 million plus basis whatever you see in terms of your assessment of the pipeline?
- Gautam Dutta:** Yes, absolutely. In the sense, the way the pipeline is stacked up, there is absolutely no doubt that we would cross. We were very confident when we were starting off the year in April. And now after the end of quarter 1, it's only looking better. So as Gaurav has shared that July was a bumper month for us. So all indicators are that we would surely cross the last year footfall numbers.
- Umang Mehta:** Sure. Last year, you mean '24, right, FY'24?
- Gautam Dutta:** Yes.
- Umang Mehta:** Understood. And just the last one was on capex. Gaurav, would you still maintain the INR4 billion to INR4.25 billion capex for this year? Or does it go down further given your progress on capital-light models?
- Gaurav Sharma:** No. So for the new screen additions of 90 to 100 screens that we plan to open and our increase in renovation capex that we decided at the beginning of the year, we have not changed our capex guidance. We will spend roughly in total about INR400 crores to INR425 crores, which will include about INR250 crores to INR260 crores on new screens, about INR70 crores to INR75 crores on renovation and remaining INR75 crores on maintenance, IT and other related capex.
- Moderator:** The next question is from the line of Jinesh Joshi from PL Capital.
- Jinesh Joshi:** Sir, my question is on our management fee income, which was about INR2.4 crores in this quarter. I know the figure is quite low. But given we have plans to expand via the FOCO route, I mean, where do you see this number stabilize at, maybe in 2 to 3 years? I mean just wanted to get some sense on this because I believe in this model, your flow-through to EBITDA is quite high.
- Gaurav Sharma:** Yes, management fee is entirely flowing through to our EBITDA. And this number is only going to increase as the new signings of FOCO will happen. We've shared that we have signed about 55 screens under FOCO model. And as these screens open, the management fee income from these screens will accrue in the P&L. So it will continue to grow. To what number it will be and what level it will become, it's hard for us to say. But clearly, it's on an uptick growth trajectory.
- Jinesh Joshi:** Got that. And sir, secondly, I believe our fixed contract that we had with BMS ended some time back, and we are on the revenue share arrangement, if I'm not mistaken. Now in this quarter, while our convenience fee has increased on Y-o-Y basis, the contribution of convenience income

to the overall box office collections is down on Y-o-Y basis. So has there been any change in the revenue share arrangement? If you can please clarify on that side?

Gaurav Sharma:

So there is no change in the revenue share arrangement with our ticket aggregators. It remains as per the contract. The growth in convenience fee we have seen is roughly around 10% versus a 22% growth in our box office collections. So actually, there was an impact of a certain provision that we had reversed last year in quarter 1 of roughly around 3.5 crores because of which the last year quarter 1 convenience fee was higher by INR3.5 crores.

If you adjust for this reversal entry in last year quarter 1, then the growth in convenience fee will be largely in line with the growth in the box office. So roughly around 19% to 19.5% growth in convenience fee, which is in line with the box office growth – but change in the revenue share or the change in the convenience fee contract with the ticket aggregators.

Jinesh Joshi:

Understood. Understood. And sir, one last question on Karnataka. I know this was discussed earlier in the call. But given the situation over there in terms of price cap, have we slowed down our expansion plans over there? That is one. And secondly, have we also seen any kind of cancellations come through from our FOCO partners given the fact that their ROI can also get compromised if prices continue to remain capped?

Gaurav Sharma:

No, there is no change in our expansion strategy in Karnataka. It's -- as I said earlier also, Karnataka, there is no government order, which has been released on price cap. So it's premature for us to make any strategic decision based on this. We have plans to open screens in Karnataka, including in Bangalore. We will assess how the situation unfolds on this pricing issue.

Jinesh Joshi:

Understood. But any cancellations or any change of plans from our FOCO partners, which you would want to highlight?

Gaurav Sharma:

No, no. Nothing that I want to highlight on that. There is no change. There is no cancellation. There's nothing of that sort happened.

Moderator:

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

Harit Kapoor:

So I just have two questions. When you spoke about this blockbuster Tuesday, you spoke about three types of categories of people coming in, college students, senior citizens and house wives. I think two out of those three categories as per any -- as per the industry research done in the past were the categories which are not really coming in, in the past, I mean, housewives and senior citizens.

I think that age cohort also was lower down in terms of the growth. So do you see this strategy as being kind of medium- to long-term structurally positive for you as in that can really drive up footfalls from these cohorts, which are especially probably challenging post-COVID?

Gautam Dutta:

So first and foremost, they were coming. It's not as if they weren't coming. But this was an available cohort to us from Monday to Thursday. And all our footfalls that we were getting even earlier, Monday to Thursday, they were the kind of people. And when we had launched this, we

-- as per our plan, we felt that we could galvanize a larger chunk of people within this cohort to come out and watch movies.

And that's exactly what has happened. So more number of students, more number of house wives and more senior citizens who were still on the brink earlier to come and watch movies at the normal weekday pricing, and they were -- they still felt a little resisted, now felt that as if it was a day when they could just go and watch.

So it's just that it expanded the market, and it's worked brilliantly well for us. And we believe it's a long-term initiative for us. We intend to keep this running. The beauty of this model is also that the prices starts at INR99. So if a film which is new or doing well, we do have the program in a manner where films can run at INR99, INR149 and INR199. So we technically work within the 3 bands. And this is really helping us because, as I said, it is galvanizing a much larger footprint of people coming in.

Now even in the evening shows on Tuesday, we are seeing some of the office goers and families are also coming out because they feel it's a great value day. And so while we've just had a couple of months in this promotion, after about 6-odd months, we also want to do a frequency analysis to ascertain if we have managed to not only get them out, but manage to get them out more often and watch more movies.

This is something that we can't do it now simply because it's too short a period. But after about, I think, 6 months, we'll have a very good idea on 2 things. One, have we managed to create a bigger market? The answer clearly seems to be yes. The second is, have we managed to get them to watch more movies because of this promotion, something we can't answer today. But hopefully, in next 5 to 6 months, that answer will be very clear.

Harit Kapoor:

Great. And we look forward to what your research throws up. The second thing was on ATP. This quarter, 8% growth, should we assume that there is a little bit of a drastic mix change also here, which is affecting this number? I mean, much lower South, stronger Hindi, stronger Hollywood, especially and this 8% growth, hence, is not representative of what the full year could be?

Gautam Dutta:

Yes, you're right. But the fact of the matter is Hollywood, IMAX films, 4DX films, Bollywood big starrer films do end up driving ATP. But also, if you look at the lineup, with so many blockbusters, regional blockbusters lined up, we believe that all should get blended up really well. And this is quite possible to maintain this growth.

Gaurav Sharma:

Yes. I would like to just add to what Gautam said, Harit, that if you see our last financial year '25, our ATP was flat compared to previous year. We had 0 growth. Also, last financial year, Hollywood saw a significant drop because of the Hollywood strike. And as a result, the content mix was more in the favor of regional and Hindi. Hindi also had hits and misses and volatile year.

So with Hollywood bouncing back and coming back to its normal contribution the way it used to be earlier, the growth in ATP will be there year-on-year. To what level and how much is -- only time will tell depending on how the films perform at the box office.

Harit Kapoor: Gaurav, the third one was on rental. So all your cost levers you have exercised are showing great results. Rental per screen, if you just do that math, is up 5%. I just wanted to understand with FOCO as well as your negotiations -- ongoing negotiations always with landlords, is that still a cost lever which can still grow slower than revenue over a 2-, 3-year period, and that's something which is -- which can incrementally provide you some benefits over a 2-, 3-year period?

Gaurav Sharma: Yes. The rentals, unfortunately, we have registered leases, and they are governed by the escalation clause in those leases. Having said that, even this growth in rentals that you are seeing is after taking into account a lot of renegotiations and waivers on escalations that were triggering in quarter 1.

Now without getting into specific numbers, I can tell you, we -- our growth in rentals just purely on account of escalations would have been higher compared to what we've reported if these renegotiations would not have been done.

The benefit of this will be visible in the quarter 2 and the full year financials also. But it's a big task. We have a INR1,250 crores of rental cost a year, and bulk of this is from registered leases in existing properties, which are not FOCO or asset-light. So this will -- this is a priority for us, and we are focused. But as a percentage of revenue, it is still a significant cost in our P&L.

Moderator: The next question is from the line of Kavish Parekh from B&K Securities.

Kavish Parekh: On the asset-light models, could you share some details about how the unit economics or margins look like in properties that you have already started operating? What does the revenue share agreement look like both in FOCO and asset-light?

Gaurav Sharma: So in asset-light, we've opened one property in Mall of India, Noida, where the developer contribution is there, and this got opened only early this year. So we will look at the performance for some period of time before coming on to any conclusion and sharing the performance. But as such, the developer contribution unit economics in terms of margins, depending on the level of developer contribution, the margins are accordingly calculated because whatever is the developer investment in view of that incremental rentals are given.

But the return on capital employed profile and the breakeven period is far better than a traditional 100% lease model. In a FOCO property where the 100% investment is done by the developer there -- because we don't have any investment, there is -- it's all flowing through directly to the EBITDA in the form of management fees. So that's how it is. But we will give you more color and more insights on the asset-light developer contribution model once we have some reasonable period of time for their performance to monitor.

Kavish Parekh: Sure. And lastly, very quickly, how is the Passport initiative doing? Any updates on that?

Gautam Dutta: Passport has been discontinued simply because the film fraternity did not sort of agree to the fact that the film should -- their film should be discounted. They wanted it to be labeled under the marketing structure for PVR INOX and which was really not the way Passport could have survived. So we have given a kind of a break to Passport. And we are still working both internally and externally to see if there was a way that we could relaunch it in a couple of months.

Kavish Parekh: Any thoughts on resuming loyalty program...

Gautam Dutta: There is another way to -- sorry.

Kavish Parekh: Sir, please continue.

Gautam Dutta: Sorry?

Kavish Parekh: I was asking any thoughts on relaunching the loyalty program similar to what you had before the merger?

Gautam Dutta: Not really. In the sense, we really went out and spoke to the consumers. Again, loyalty program works when you can influence a consumer to come and watch a film of your choice. When I say your choice, I mean when an exhibitor is able to push a certain film, because if you will only collect points and watch a film that you want to watch, and I'm not able to propel you to come to the cinema again, it wasn't working. So we felt that blockbuster Tuesday was doing that job much better. That's number one.

Number two, in a market where any which way, some of the key markets where we have key dominance and with high-quality cinema experience, we felt that these miniscule points that we were giving out was not able to influence the consumers to come to the cinema. So it was just an expense sheet that was being maintained, but not something that was resulting in any great business for us.

Moderator: Ladies and gentlemen, this was the last question. I now hand the conference over to the management for the closing comments. Thank you, and over to you.

Gaurav Sharma: Thank you all for joining us on this earnings call today. In case of any questions, you may reach out to our Investor Relations team or directly to us. Thank you so much for your time.

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