PVR INOX

May 16, 2025

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/Madam,

This is with reference to and in continuation to our letter dated 7th May, 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 had participated in the conference call for analysts and investors held on Monday, 12th May, 2025 for post announcement of Financial Results for the Fourth Quarter and Financial Year ended 31st March, 2025.

Please find enclosed the copy of transcript in this regard.

This is for your information and to all concerned.

Thanking You.

Yours sincerely,
For **PVR INOX Limited**

MURLEE MANOHAR JAIN
Digitally signed by MURLEE MANOHAR JAIN
Date: 2025.05.16 11:34:52 +05'30'

Murlee Manohar Jain
SVP - Company Secretary
& Compliance Officer

Encl: A/a

“PVR INOX Limited

Q4 &12M FY '25 Results Conference Call”

May 12, 2025

MANAGEMENT: **MR. AJAY BIJLI – MANAGING DIRECTOR – PVR INOX LIMITED**
MR. SANJEEV KUMAR – EXECUTIVE DIRECTOR – PVR INOX LIMITED
MR. GAURAV SHARMA – CHIEF FINANCIAL OFFICER – PVR INOX LIMITED
MR. KAMAL GIANCHANDANI – CHIEF BUSINESS PLANNING & STRATEGY – PVR INOX LIMITED
MR. PRAMOD ARORA – CHIEF EXECUTIVE OFFICER, GROWTH & INVESTMENT – PVR INOX LIMITED

MODERATOR: **MR. HARSH SHAH – AXIS CAPITAL LIMITED**

This transcript has been edited for factual errors.

Moderator: Ladies and gentlemen, good day, and welcome to the PVR INOX Limited Q4 FY '25 Results Call, hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Harsh Shah from Axis Capital Limited. Thank you, and over to you, sir.

Harsh Shah: Yes. Thank you, Nadia. Good afternoon, everyone, and welcome to PVR INOX Limited Q4 and FY '25 Post Results Earnings Call. The call will start with brief management remarks on the earnings performance, followed by an interactive Q&A session.

PVR INOX management will be represented by Mr. Ajay Bijli, Managing Director; Mr. Sanjeev Kumar, Executive Director; Mr. Gaurav Sharma, Chief Financial Officer; and other senior management personnel.

Over to you, Mr. Ajay, for your initial comments.

Ajay Bijli: Thank you. I'd like to invite you all to discuss the audited results for the quarter and the 12 months ending March 31, 2025. We have uploaded the earnings presentation and the results on our company's website as well as the stock exchange's website earlier today, and I hope you had a chance to review them.

Box office in FY '25 witnessed an uneven release slate across quarters, resulting in noticeable gaps in content flow and fluctuations in theatrical performance. Performance of Bollywood and Hollywood films was below expectations leading to a 9% drop in overall gross box office collections of the company. Hindi box office dropped by 26% this year due to 14% fewer releases, no major superstar films and several postponements. Bollywood collections were down by 28% due to the impact of previous year strike and weak lineup of the tent poles.

On the other hand, Hindi dubbed collections surged by over 150% with titles like Pushpa 2 and Kalki resonating nationwide showing how audience tastes are shifting towards big pan India stories. Chhaava was the biggest hit of the fourth quarter grossing around INR700 crores at the box office, followed by Sankranthiki Vasthunam, Sky Force and Empuraan.

With lifetime collections of INR125 crores, Empuraan became one of the highest grossing Malayalam films ever. In contrast, Sikandar starring Salman Khan fell short of expectations and INR30-odd crores *(inaudible : 130 crores)*. We welcomed 30.5 million guests across our cinemas in Q4 FY '25 and 136.9 million guests in FY '25.

In terms of the financial results for the quarter, the following numbers were calculated after adjusting for the impact of Ind-AS116 on lease accounting. Total revenue for the quarter was INR1,285 crores. EBITDA was INR25 crores, and PAT loss was INR106 crores as compared to revenue of INR1,290 crores, EBITDA of INR35 crores, and PAT loss of INR90 crores in the same period last year. Despite industry-wide headwinds stemming from a limited slate of Hindi and English releases, the company remains steadfast in executing its strategic priorities during the year. We transitioned from managing footfalls to proactively manufacturing them. A shift that underscores our commitment to innovation in driving demand and enhancing audience engagement.

Our strategic focus on curating rereleases delivered strong results, contributing an incremental 7.1 million footfalls and approximately INR124 crores in gross ticket collections during the year. With an aim to making cinema going more accessible and habitual, FY '25 saw the successful execution of 4 Cinema Lovers Days and 1 National Cinema Day, offering tickets at just INR99. We have also launched blockbuster Tuesdays, a weekly initiative offering tickets at INR99 or INR149. Despite content challenges, we balanced value promotions with strategic pricing on big releases, maintaining a steady ATP of INR259 same as previous year.

The company remains committed to disciplined cost control. On a comparable screen basis, total fixed costs were nearly flat at just 0.6% year-on-year growth. In fact, over a 5-year period from FY '20 to FY '25, on a per-screen basis, the company's total fixed cost per screen has increased by a CAGR of only 0.8% as compared to the CPI inflation rate of 5.3% in the economy.

We're actively transitioning towards a capital-light growth strategy. We have already signed 23 cinemas with a total of 101 screens under the capital-light model, most of which are expected to become operational over the next 12 to 24 months. In recent weeks, we inaugurated 2 new cinemas with 9 screens under the FOCO model, 1 in Jabalpur and other in Raipur. As the strategy scales, we anticipate a significant reduction, in new screen capex intensity, reinforcing our focus on efficient and sustainable growth.

In line with our focus on profitability growth, we made a strategic decision to exit 72 underperforming screens and opened 77 new screens during the year. We're pleased to share that we continue to strengthen our balance sheet with net debt reduced from INR1,430 crores in March 2023 to INR952 crores in March 2025, a significant INR478 crores since the merger. This reflects our sharp focus on capital efficiency, disciplined cost control and proactive cash flow management, even amid content volatility.

The year ahead looks very exciting with potential Bollywood tent poles like Sitaare Zameen Par, War 2, Housefull 5, Jolly LLB 3, Delhi Files, Thama, Alpha among others. Regional movies also have a robust lineup with Thug Life, Coolie, Raja Saab, Toxic and Kantara 2. Among others, major titles from Hollywood are Mission Impossible - Final Reckoning, Fantastic 4, Formula 1, Ballerina, Superman, Jurassic World, The Conjuring, Avatar 3. Our current screen portfolio stands at 1,743 screens across 352 cinemas in 111 cities in India and Sri Lanka.

Now I'd like to open the platform for any Q&A. Thanks once again for joining.

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

Abneesh Roy: My first question is on the Hindi movie content. So last week, when the geopolitical risk was there, we did see one Hindi movie shift to OTT. So if you could discuss are there more such examples or it was a one-off because of the geopolitical issue at that time? And the Hindi pipeline, it is the last few quarters, always we are seeing bunching up and then weeks when no content is there. Is that issue getting resolved in terms of proper planning of the pipeline for the Hindi?

Ajay Bijli: Yes. I mean all these movies Sitaare Zameen Par, War 2, Housefull 5, Jolly LLB and all the various movies I basically talked about just now, they are all on track to come on the big screen. We also started off very well with Raid 2, before that Kesari 2 and Jaat also released.

So I think the momentum of Hindi movies has been very good and people are coming back to watch the big screen and even the industry believes that the big screen is a place where the movie must be released. That was a one-off that happened and the matter is sub judice.

Maddock last minute decided to release the movie which was already being promoted at the cinemas for the last 2 months. So we took the matter to court, and we've got to stay against its release on the OTT platform. And the matter is subjudice, so at the moment, I can't speak any further on it.

Abneesh Roy: And second question is on the expansion plan, 2 parts to this. One is the FY '25 net addition was hardly anything, 5 screens only. And now plan is to open, say, 100 to 110 screen in FY '26. Could you tell us in terms of closure FY '26, what's the current number looking like? And second is in terms of your new initiative of low capex plus management contracts, what has been the initial response of the developers? And any tweaking needed, what is the feedback, if you can share on that?

Ajay Bijli: You see the screens that we closed are like any other retail business. Ultimately, if the malls become old or if the shopping center has -- doesn't have the infrastructure of lifts and escalators, and there's no tenant left, and newer properties and newer malls are coming up at the vicinity or our lease has come to an end, and we don't see any revival of that property, this is a very normal thing to do for any retail business, and that's why these 72 screens were exited. And that is also saved INR8 crores of EBITDA loss that these cinemas were making. So I think that's a positive, and it will be ongoing.

And even in this environment to open 77 screens, if I can say it myself, I think it's a very positive step for the company because these are brand-new 77 screens and great catchments, great locations. Even -- so this year also about 110-odd screens will be there. As far as the exit rate is concerned, we don't have anything just now planned. We will continue. But if there are -- if there is something that comes up, which is not viable and it's not value accretive, that will be removed from the portfolio after taking all legal precautions.

As far as screen growth is concerned, I think the brand has got recognition in various parts of the country. And I think hospitality industry has done this since time immemorial, franchise-operated and company-owned model and where the brand earns the management fee. So we are growing by that model. And also, in certain cases, there's a large contribution from the developer himself. So recently, we've opened in director's cut in DLF Mall of India Mall in Noida, and that's also been with a significant contribution from the developer.

So I think we will be doing all 3 things. We will be doing the FOCO model, we'll be doing asset-light model and also whenever we do get an opportunity to where the -- all the things are in line, the rent is good, the location is good, and we can even spend our own capex as well. But overall, the capex intensity will come down without compromising on the growth trajectory.

Abneesh Roy: So one quick follow-up, and that is the last. You've given guidance for new screen addition in terms of the capex-light model and management contract, what is the number you have in mind currently? It may not be a strict guidance because the talks are ongoing. But what will be the intent that most of the new expansion will be essentially through these 2 routes and any existing properties also where say renewal is going to happen? Do you think there could be a substantial number from there also?

Ajay Bijli: I mean I don't know exactly. 23 properties we have signed and 110 screens are in the asset-light model and the FOCO model. But coming up, there are some properties which were signed earlier, which are opening this year. So Gaurav, you have the number of how many are that are opening this year are asset-light and how many are the normal model that we have?

Gaurav Sharma: Abneesh, the 111 screens, 110 new screens that will open this year, majority of these screens will be under asset-light. I think it's very hard to put a number to that. But it will be a combination of asset-light and management contracts. We have already opened (1) 3 cinemas, 20 screens under this model in the first month of this financial year, 1 in Jabalpur, 1 in Raipur are under FOCO model. And 1 five screen director's cut in Noida, which is into an asset-light model. So you will see bulk of the screens this year will be under that model.

Ajay Bijli: Right.

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

Kavish Parekh: My first question is on your expansion strategy. So over the past few quarters, you have laid out plans to expand via the asset-light models. However, no new screens were opened in 4Q. So were there any execution issues that seem to have emerged in this new model? And given the weak footfalls over a slightly longer period now, would it impact your ability to ensure that developers are wanting to work with us and incur capex on their books? That was my first question. I'll take the second question later.

Ajay Bijli: No, I just want to get some clarification on your first question. We've opened 77 screens and just in the first month itself, we've opened 20, so we're not seeing any challenge in opening screens. Where do you -- where are you seeing a challenge here?

Kavish Parekh: No, no. I understand that fourth -- so as an end of 9 months and as an end of the financial year, we had opened 77-odd screen. In the fourth quarter, particularly no new screens came up. So I think that was on account of delays.

Ajay Bijli: Yes, yes, those got shifted to just now. So in the first month itself, we've opened 20. The ones which were to open in the last quarter due to… nothing on execution, but sometimes licenses take time. So due to licensing issues, they got delayed by 1 month.

(1) We have opened 4 cinemas (20 screens) till date in FY'26 out of which 3 cinemas (14 screens) are under the capital light model.

Kavish Parekh: Understood. And given the footfalls -- given that the footfalls have remained weak over a slightly longer period now, do you think this has an impact on developers' willingness to work with us and incur capex on their books?

Ajay Bijli: No. There is -- I mean long term, everybody realizes this a post-COVID period as a temporary period. Everybody realizes in the Indian film fraternity as well as the consumer that in the -- it's a matter of time. In fact, this year itself, people will come back to the cinema. They are coming already, we got 137 million people coming to our cinemas. It remains an integral part of any mall to generate footfalls.

So these are temporary dips, but everybody believes in the long-term potential of this format of multiplexes in a country like India with 1,800 films get released every year, and pre-COVID, close to 1 billion tickets used to get sold. So I think this format of going out and watching movies on the big screen is not going anywhere, and that reality is not lost on anyone.

Kavish Parekh: Understood. My second question is on your debt reduction plan. So most part of the year remains tepid with the exception of a few movies that would do well sporadically. And I understand that expectations for the next year are high. And the anticipated sale of certain key properties was to significantly aid deleveraging efforts, but those plans have been pushed for some quarters now.

So could you elaborate on the revised timeline and strategy for these monetization initiatives? How do you plan to balance operational recovery with meaningful debt reduction in the, say, near to medium term?

Ajay Bijli: Gaurav, would you like to answer that?

Gaurav Sharma: Sure. So even in last financial year, despite a volatility in content and pressure on earnings, we were able to reduce our net debt levels by INR340 crores (1). We took various initiatives during the year in terms of aggressively expediting recovery of security deposits for properties that we exited, collecting GST tax refunds from authorities, also renegotiating terms with our creditors. As a result, we were able to sort of cushion the impact of operating cash flows, and we were able to achieve about INR350 crores (1) reduction in our net debt levels.

I think going forward, with uptick in earnings and increase in occupancy levels, we will have significant operating cash flow and the capex intensity in the business will come down as we transition towards the asset-light model. As a result, the operating cash flow from the business will be more than enough to take care of our repayment obligations and achieve a further reduction in net debt levels.

As far as your question on monetization of assets is concerned, I think we are very careful about making sure that we get the right value for the assets that we own in our balance sheet. They are high-value properties. And given that the business was organically generating sufficient cash flow, which was deleveraging the balance sheet, we will be very careful. And at the right time at the right value, we'll make those decisions.

(1) Net debt has reduced by INR 342 crores in year ending 31st Mar'25

Kavish Parekh: Understood. The last question from my side is that on the increasing adoption of asset-light models, what impact do you foresee on overall margins? And as such properties constitute a growing share of your portfolio, what level of margin enhancement do you anticipate? And over what time frame? And what is the estimated capex for FY '26?

Gaurav Sharma: So I think in near to medium term, we will not see a material impact on the margins because we have an existing portfolio of 1,700 screens, which is on the lease model. As we are adding 60, 70 new screens every year on the new model, overall, margin impact will be immaterial. But overall cash flow impact in near term is going to be significant.

In terms of our capex, we expect that financial year '25, '26, we will incur a total capex of roughly in the range of INR400 crores to INR425 crores, which will be split across new projects, we will be spending slightly higher on renovating our existing high-value properties as well as maintenance and IT-related capex.

Moderator: We take the next question from the line of Sameer Gupta from IIFL Capital.

Sameer Gupta: I have 2. Firstly, sir, in your observations, how do you see the intensity from the OTT players on content buying currently? Is it coming down? Is the average window between theatrical and OTT releases increasing? Any sense on that would be helpful.

Ajay Bijli: Well, you see the window is 8 weeks just now, and it is only going to increase. If you look at the recent announcement by even Aamir Khan's new movie, Sitaare Zameen Par, in fact, he's not releasing it on OTT at all. So I think people -- the content makers have acknowledged the fact that if you make a movie and release it theatrically, and there are N number of examples last year and this year has also started off with Raid 2 and Kesari proving that, that there's no upper limit to how much a movie can earn. So the biggest monetization window continues to remain theatrical, which was there pre-COVID and is now as well. And then after that, it goes -can be then monetized by going to various windows. And so that's how the journey of any content happens.

And the OTT platform, of course, are also very careful now that they would like to see a theatrical performance of a movie before they buy. And because they use -- they were buying a lot of movies because shootings have stopped in the middle. And also, they were not being able to create TV shows. Now if you look at a lot of intensity of TV shows have come, which used to be -- what used to be seen, the long-form storytelling on OTT platforms. Movies were always going to the big screen. But now after they see the theatrical performance, they know exactly how much to bid for a movie.

So it works both for the OTT players as well as for the film industry because if your movie is small, but has hit a jackpot and done very well, now you can charge not just on the base of your cost of production, but you can charge on the base of the box office collections. And there are N number of studies which have shown that movies which get downloaded on OTT platforms are the ones which have done -- had a very good theatrical run. There's a certain recall value that comes when a movie does well. So I think water has found its own level now. And this -- I think this whole question itself has become OTT now over the top because water -- every single platform has got its own place in the sun.

Sameer Gupta: Got it. Sir, second question is on the FOCO model or asset-light model. I understand that this question was asked by the previous participant, but I have a slight different version of this. Now suppose you are making INR100 EBITDA in the normal model. What is the anticipated EBITDA absolute amount that you will earn from this new model? So I understand your revenues will be lower, but you will earn a management fee. So overall, EBITDA might be on the lower side. So just getting a sense on those numbers.

Gaurav Sharma: Sure. So it depends on what model is adopted. If it's a management fee model, then we just get a share of overall revenues, and we don't get to consolidate the P&L in our books. In case of asset light where there is a joint investment by PVR INOX and our development partner there. We have some sort of revenue share arrangement in view of the investment made by the developer.

And it will vary from case to case, depending on the quantum of investment. If it's a 50% capex investment, then the sharing will be different versus it's an 80% capex investment. So there is no straight answer to that. But yes, the margins -- EBITDA margins will be lower versus a classic lease model simply because you need to share something in return of the investment made by the developer.

Sameer Gupta: Got it. But this is like the finance cost will come above the EBITDA line, something like that will happen probably?

Gaurav Sharma: It will be structured in the way like any other rental arrangement is. It will be in the form of revenue share that gets paid out as rental cost to the developer over the period of 15-year lease that we typically have for the cinemas that we open.

Sameer Gupta: But any ballpark number, like just an example of the already 20 screens that you have signed, what is the kind of absolute EBITDA versus had you signed it in -- versus if that was a classic model?

Gaurav Sharma: We have signed *(opened)* 2 cinemas, 1 in Raipur and Jabalpur under FOCO, which is a management contract where I think the revenue share is in the range of about 8%?

Pramod Arora: 8.5 %, that's some of the fee, which accrues to us on account of the IT services. So effectively, about 10% of the revenue is what we end up getting.

Gaurav Sharma: Correct.

Pramod Arora: So that is basically the -- that is the FOCO model. When you come to an asset-light model, you have to think about the REITs and then combine the model with us. So in a REITs model, which is a real estate investment trust, which most of the developers in the country basically end up pursuing. So the yield is on the basis of REITs on the investment that the developer partner makes.

Sameer Gupta: Got it. This is helpful. And this revenue share is on an entire suite of revenue, including ad income, etcetera apart from the...

Pramod Arora: There are 2 models out there, like in Raipur. Raipur is an ad-free model. So there are no ads. Instead of the ads, there is an additional show that the developer partner ends up running. So we are basically making the fee out there. And in case there is ads, on the ad revenues, we take 35% of the revenues.

Moderator: We take the next question from the line of Jinesh Joshi from PL Capital.

Jinesh Joshi: Sir, I just want 1 clarification. I mean, out of the 100 to 110 screens that we plan to open in FY '26, how many of them will be on FOCO model because ultimately, those screens will not be consolidated into our P&L, and the actual opening number could be slightly lower. So can you just share the FOCO count for FY '26?

Gaurav Sharma: I can directionally tell you that bulk of -- more than 50% of the new screens will be under the capital-light and it will be a combination of FOCO and joint investment as above. Many of the screens are in the process of getting signed, the agreements are getting finalized. We've provided in our investor update also that out of 46 screens across 11 cinemas, we have signed under the FOCO model, and there are 55 screens across that that have been under the asset-light model.

And typically, it takes about 12 to 18 months for all these screens to get fitted out in all the licenses in place and they open up. So it will stagger over the period of next 18 months, and they will open as per their respective date.

Pramod Arora: So in terms of a very vague guidance, it will be like 30-70. So 30% of the screens would not be accounted for in our balance sheet because they will be under the FOCO model and 70% would be the ones which are effectively getting accounted for in our model.

Jinesh Joshi: Got that. And sir, one bookkeeping question. So while our other income is about 40% in this quarter, and we have stated in the footnote that it is predominantly due to income from distribution of movies like Sky Force, etcetera. But if I look at our move distribution and print cost, that is down 10% Y-o-Y. So can you please explain the reason behind the cost reduction when the income is up quite substantially?

Gaurav Sharma: There are various elements in the distribution income. We get to have a pure revenue share from the proceeds that we collect like there is other elements around marketing, promotion, etcetera. So while you're seeing a 40% uptick in the movie distribution revenue, but on the cost side, we have been able to control cost in a meaningful manner, and there is almost a 10% reduction on the movie distribution cost.

Jinesh Joshi: Is this a new normal? I mean I understood what you're trying to convey, but the margin this time around on distribution appears to be quite high. So is there any change in terms, which you would want to highlight? Or this is something which is kind of slightly one-off in nature?

Gaurav Sharma: So I think you should look at the distribution business and rather the entire exhibition business, the right way to look at it would be on an annual basis. There will be quarter-on-quarter variations because this is dependent on lineup of films and the rights that we get for distributing certain films in certain quarters. So if you look at overall increase in revenue from other operating income, which is largely distribution income, on a year-on-year basis the distribution income is up by 70%. And so is the distribution, movie distribution and print charges. But quarter-on-quarter variations will always be there.

Jinesh Joshi: Got that. Sir, just one small clarification from my side. I think under the asset-light model, I mean, we have mentioned that the developer fund majority of the capex and perhaps it is compensated by the MG and rev share. But do these properties also get capitalized on the balance sheet as ROU or how does it work out?

Gaurav Sharma: So the FOCO model, we don't capitalize because there is 0 investment from PVR. On asset-light model, we only capitalize the capex that we invest in the property. As far as the lease rentals are concerned, they are capitalized as per Ind-AS116 lease accounting, where the rentals are -- the discounted rentals are recorded as ROU assets on the balance sheet, and there is a corresponding lease liability that's created on the liability side on the balance sheet.

Jinesh Joshi: Got that. Sir, just one small clarification. The ROU figure that has fallen from ‘24 to ‘25, that could predominantly be because of the closures, right -- the screen closures.

Gaurav Sharma: That's right.

Moderator: We will take the next question from the line of Vaibhav Muley from Yes Securities.

Vaibhav Muley: I just had a question regarding your FOCO model. So you mentioned that the revenue share will be around 8.5% of the revenue. But is there any incentive in terms of -- related to the performance of that particular screen if a screen does particularly well then, is there an incentive of a higher revenue share?

Pramod Arora: It's covered up in the percentage itself. The percentage remains consistent. So effectively, if you look at the success rate in terms of the proposals that come to the table, so it's about 20%. So if there are 10 people who end up approaching us for a FOCO model, only 2 get selected because there are very strong guardrails around the -- around the brand, which we end up working around.

Unless the model is something that works for our development partner and us, we don't end up picking it up. So it is not a straight up franchisee model. While we call it FOCO, which is franchisee-owned company operated, the model is more like DOCO, which is developer-owned company-operated model.

And in this model, the feasibility studies are carried out on a very stringent basis where there is no upside or a downside to the percentage. It's getting covered in the percentage itself. So there is no sweetener out there in terms of seeking a higher percentage if the screen does well.

Vaibhav Muley: Understood. And my second question was on the Hollywood side. So Q4 also had decent line up in terms of -- lineup in terms of Hollywood movies like Captain America, then we had Snow White. And however, the box office collection for these movies was pretty low. And given that there's a good amount of movies lined up on the Hollywood side for the coming 2 quarters, what kind of expectations do you have in terms of revival in footfalls for the Hollywood side?

Gaurav Sharma: Kamal, would you like to take that question?

Kamal Gianchandani: This would be a strong year for Hollywood. And if you look at the advance that we've had for Mission Impossible 8, which is coming out on 17th May, that's an indicator of things to come. Fortunately, we have a lot of sequels, films from big franchises, Marvel has -Marvel has just delivered Thunderbolts, did really well.

So our expectation from Hollywood films is extremely buoyant this year. We are feeling extremely positive. And by the way, this is the same feeling which the entire world has, including the North American box office because they're totally dependent on Hollywood films. There is buoyancy all across, in the entire world.

Vaibhav Muley: Understood, sir. And if I may just squeeze in one more question. On the -- for Q1 until now, how has been the box office collection so far?

Kamal Gianchandani: Well, typically, we don't make forward-looking statements, but if you look at the global box office, that's tracking about 7% higher than last year same period. In India, if you look at the first quarter year till date, similar numbers.

Moderator: We take the next question from the line of Umang Mehta from Kotak Securities.

Umang Mehta: My question was on the cash balance. So while we acknowledge that gross debt has come down. Any specific reason why we are accumulating cash, especially since incrementally capex is expected to decline?

Gaurav Sharma: So as a strategy, Umang, we maintain a certain cash reserve in our balance sheet given the fixed cost heavy nature of our business. A lot of work has been done in terms of expediting collections across all our receivables. There's been a lot of work around working with the ticket aggregators in terms of advances on convenience fee. And as a result, quarter 4, we saw a significant buildup of cash.

We will continue to be conservative in terms of making sure that liquidity levels are healthy, given the recent volatility in the last couple of years, we have seen in the business when there are gaps in months when the box office has not performed as per the expectation. So overall, I think the net debt and the cash levels will -- the debt level will continue to come down. There are obviously quarter-on-quarter variations.

But on an overall year-on-year basis, you will continue to see a reduction in net debt levels and a healthy cash balance sitting in the balance sheet.

Umang Mehta: Understood. And the second related question was on capex. So you mentioned that it will increase to INR400 crores plus because you'll be renovating more than what you did in last year. Would it be possible to split the capex in maintenance and new cinema capex? That's it.

Gaurav Sharma: I think broadly, we will spend roughly INR250 crores to INR300 crores on new projects, which will include projects which are currently under fit-out and will open in the next few months, plus giving advances for new handovers that we take for fit-outs. And the balance we intend to spend across renovations, maintenance of our existing circuit as well as IT-related capex.

Moderator: We take the next question from the line of Digant Haria from GreenEdge Wealth.

Digant Haria: My first question is this 1,800 movies a year, this number has been probably there for the last 10 years. But has the number of films who can do good at box office, like that number, has it stabilized? Like it's been on a downtrend, but has it stabilized? So that's question number one. And question number 2 is, sir, if you can give some idea on how this Bollywood content creators are thinking?

Because see, how much ever we may say it does not affect this Bollywood boycott thing is probably big. And we saw this during the war period also that there are so many Bollywood actors who are either -- like people do point out their Pro Pakistan behavior or things like that. So is that realization finally dawning upon Bollywood that they'll have to give up their old ways, probably figure out new things? Any comment you can make on this part?

Kamal Gianchandani: To your first question, the -- there was a significant drop in midsized and big Hindi films post-COVID. And in fact, that number has been improving gradually. Year-on-year basis, that number has been inching up last year was we had in terms of quantity of firms, decent number of films. But unfortunately, we didn't have enough big films. We had midsized films and small films, but we didn't have enough big films.

But overall quantity was -- in this year, quantity is a little better and the big films, sequels, mid-sized films, sequels again, that number has gone up, which is making the outlook very positive. If you look at the April and May period, May period till now, films like Jaat, Kesari 2, Raid 2, they've done extremely well at the box office. And of course, there is a general positive sentiment for Hindi films across the country.

Your second question, again, because Hindi films are stabilizing. So this is one industry where actors and directors and celebrity producers are constantly in news. Media is very keen. There is a lot of curiosity around what celebrities think and their viewpoint on various aspects of social life. Things which are happening at geopolitical level. Media is very interested to know that. And with this oversupply of views and information, often there will be missteps.

So I think that's part and parcel of the way media operates, the way celebrity culture operates. But its impact on our business? Not too much. I mean there was this whole thing about boycott Bollywood. People wanted to sort of not support Hindi film actors. But no, that's been long dead. I don't think that issue is there anymore. And I don't think there's any impact of any views actors have on our business.

Digant Haria: Okay. Okay. That's very clear. And my last and second question is, sir, on the cost side, we have done quite well last 3 years. What line item of the cost do we still have some levers like will it be the rent, trends, or will it be the CAM or what line items still has some levers left for us on the cost side?

Gaurav Sharma: Yes. So I think we continue to be working across all line items in our P&L to control cost. That's what is fully under our control, unlike content quality and other things on the revenue side. Rent and common area maintenance, which is occupancy cost is bulk of our fixed cost and which is driven by lease contracts. We -- and our development team has been working very hard to negotiate with the developers to get relief on rentals.

So that is one line item I think we will continue to work on. There are -- all other line items, including manpower cost, we will continue to see if there is more automation that we can bring in our cinemas in terms of self-ticketing kiosks and other initiatives that can reduce manpower. As well as electricity utilities in some of our cinemas, we have deployed solar panels and moved to renewable energy that has resulted in controlling utility cost.

Similarly on other line items. So there is a continuous regular review on each and every line item in our P&L on the cost side, and we are pretty hopeful that we will continue to be disciplined on the cost front going forward as well.

Moderator: We take the next question from the line of Yash Sonthalia from Edelweiss Public Alternatives.

Yash Sonthalia: So I have 2 questions. First, I need a small clarity like in our FOCO model, where we are getting 6% to 10% of revenue sharing, is there any particular cost we will be inculcating in those screens or it will be only the revenue sharing or there will be no cost?

Pramod Arora: There's no cost that -- there's no physical cost, which is basically getting incurred in this model.

Yash Sonthalia: So 100% of the revenue sharing we are getting will be transferred into our EBITDA, right?

Pramod Arora: Yes, absolutely. So when the screens are under development, including the cost of people visiting those sites is incurred by the development partner.

Yash Sonthalia: Understood. And in our recent year, our variable cost for movie exhibition has decreased a lot. So is it like something related to the mix of movie and the weeks the movies run on? Is it a structural thing we have done by the efficiencies? .

Gaurav Sharma: Our film hire cost is normally in the range of 45% to 46%. However, in financial year '25, it was 44.6% simply because there were no -- the number of movies which crossed INR500 crores plus were lesser. As a result, in our film hire contract, we -- there was a less amount of bonus payouts that happened.

Also, we did a lot of re-releases during the year. 5% of the admissions during last year came from rerelease and rereleases typically have lower film hire charges as compared to a fresh film. So that's why you're seeing a 137 bps reduction in FHC. But I think going forward, we will be in the range of 45% to 46% or 44.5% to 46%.

Moderator: We take the next question from the line of Arun Prasath from Avendus Spark.

Arun Prasath: My question is on the asset-light models. So we have signed around 11 cinemas and management contracts and 12 in asset-light model. So based on this, can you explain us what kind of developers are going for management contract and what kind of developers are going for asset light? Is there any commonality about this geography -- geographically or the size of the developer? Some light on this will be helpful.

Pramod Arora: So the way it really happens is the process of selection is strategic in nature. So in many of the territories where we already have an existing release model, we may perhaps go for an asset-light model. And the new territories wherein we do not have cinemas or we have cinemas which are sparsely spread out, we may go in for a franchisee-owned company-operated model. So that is one distinction that we end up using in the selection process.

Other than that, there are certain metrics that we end up using wherein if the economies of scale happen to favor in the FOCO model, then we will choose the FOCO model. In effect, to give you an example, if the development partner has certain leverages around the cost that has to be incurred into the cinema, we will end up using it to our benefit and go for the FOCO model instead of an asset-light model.

Arun Prasath: Sorry, I didn't understand this leverage part, can you just explain?

Pramod Arora: Let's say if there's a development partner who is operating multiple malls or has a very large mall under his purview in terms of managing that mall or having developed the mall and then managing it, lots of costs are common costs. The security cost is a common cost wherein the same security agency gets used even for the cinemas. The housekeeping costs are common costs, wherein the same housekeeping agency gets -- ended up getting used for that.

So in which case, we are able to save certain costs in the model and we end up going towards the franchisee-owned company-operated model. So that is another side of the selection criteria that we end up using. Other than that, it is a model which is agnostic of any Tier 1, Tier 2, Tier 3 cities. So we are even going to have the FOCO model cinema coming up in Mumbai by end of the year.

Arun Prasath: Right. So does the developer has a say on this? Or it's we present in this option and he has to choose other than that?

Pramod Arora: Yes. We are managers who have guardrails around the brand -- the brand guardrails are given in. Other than that, the developer has a lot of say within the model, wherein he's empowered to take certain calls in terms of let's say, a ticket price, let's say, some of the other things that he is looking at into the model.

It's a typical franchisee-owned company-operated model. Alongside the guardrails, the developer has a say in terms of the revenue metrics that we end up doing for him.

Arun Prasath: No, I meant whether he can choose, say, we are offering him a management fee model. Can the developer says, no, I want an asset light model? Or I want a traditional model where it needs to be completely leased out?

Pramod Arora: Yes, he has every right to choose and we have every right to reject.

Arun Prasath: Okay. Understood. And when we are designing the -- so for example, in asset-light model, you have mentioned 40% to 80% capex by developer. How this is also decided?

Pramod Arora: So this is a typical model wherein the development partner ends up investing a part of the capital into the fit-outs of the cinema. There are certain fit-outs which we call as the movable asset, certain are immovable assets. In the immovable assets, which amounts to about 60 % plus, the development partner ends up investing the money. And in many of the movable assets, the company would end up investing the money.

In terms of the returns that the developer got -- get, there are 2 models that are invoked and that are getting practiced. One is there is a yield-driven model which is akin to a REITs model, wherein the developer ends up getting a yield on the investment that he has made into these immovable assets on the cinema fit-out.

The other is, he may basically choose to go in with a higher revenue percentage sharing on the rental model wherein he is able to get the similar yield from the revenue share that is there. There is an upside in the revenue share model wherein if the cinema super performs, he ends up making superior monies on the revenue share.

Arun Prasath: So on a REIT-based business model, he has a very little downside?

Pramod Arora: He has a very little downside. Let's say, let me give you an example. Let's say if the yield on our REIT model is going -- hovering around 8%, and if we are giving a 9% yield, so he has a benefit on the table itself. For us, the asset is basically been created by the developer wherein he gets a fixed yield over the time of the lease.

If the model does not perform, let's say, hypothetically in a period of 5 years or 6 years, then the lock-in triggers in and in which case. We have the option to walk our way and the developer ends up being with the asset to be given to another operator.

Arun Prasath: Okay. So this 9% or 8% yield is irrespective of the content quality or how the content has performed? So that is basically...

Pramod Arora: It is irrespective of the content quality. It is irrespective of the content quality. For the content quality, the developer has to choose the other model, wherein if you believe that the content is going to be super good and the mall or the shopping center is going to perform much better than anticipated, in which case he -- instead of choosing a fixed yield model, he ends up choosing a rev share model.

So our standard rev share is 15% of the box office and the concessions revenues. And we -- the trigger basically depends either a 2% or a 3 % over and above that model for the developer to cover his investment, in which case, he will benefit if the content quality becomes better.

Arun Prasath: Understood. Finally, on the existing set of 1,700 screens, is there any possibility we will transition as and when the lock in period ends or as and when the contract ends? We will give an option to the developer to...

Pramod Arora: So never say never. So never say never is the thing. So it all depends how this whole traversing happens. And the potential opportunities cannot be negated as of today, but suggesting that is there a firm plan or something? No. Going forward, there may be opportunities which may come on to the table in terms of being able to convert a regular model to a FOCO model. And depending on the financial viability, we may end up choosing that.

Moderator: We take the next question from the line of Abhishek Kumar from JM Financial Limited.

Abhishek Kumar: My question is also on the FOCO model. Thanks for all the explanation. I'm still not able to figure out why is it attractive for a developer? I mean this is a business where you despite the scale and so much efficiency are making -- barely breaking even. And in that, if the developer has to give you 10% of the revenue, for him with little expertise and a little benefit of scale, how will he make money?

Isn't it more beneficial for him to just take 15% as rent of revenue and leave the operations and the cost associated with it to you?

Pramod Arora: So absolutely, a great question, but we should have that availability from a top of the mind recall operator to be in his mall. So usually, shopping centers work on the principle of 5 Fs, which is fun, food, fashion, film, fitness. These are the 5 Fs, which gets covered in a shopping center development.

Now in this -- so in this -- the film side that we represent, we are talking about the fact that if he wants to be in bed with the top operator, then perhaps if the FOCO model or an asset-light model is available, he will or may consider us. So it's an optionality, which is there. Most of the shopping centers today as we see in the country are incomplete if they do not have a cinema operation.

So that is where it goes. And in terms of financial modeling, as you go up, so cinemas are usually placed on the third floor, which is the top floor of a shopping center. So shopping centers would get a yield of something like 25% on the ground floor. As they go up, this yield decreases to 12%. As you go further, it decreases to 6%. So that your average yield basically is coming into the line of 15% to 18% from the whole shopping center.

So that's how the mechanics of a shopping center model works.

Abhishek Kumar: Okay. My question was more around whether if we have to choose between a FOCO model and the traditional model, I'm not very clear if the risk reward favors a developer given how the Bollywood and the exhibition business is performed?

Pramod Arora: So 2 reasons out here. When you look at a development partner who is coming in with us, this is a very large country. Unlike a small part of Europe, or a small part of any other part of the world, this is a very large country. So most of the development partners that we come across actually know the consumers psyche perhaps a little better. So they have certain levers out there to be able to improve the revenue metrics.

So they are able to help us give that support also as well. Let me take an example of a concession pricing or even a ticket pricing. They're able to perhaps fine tune it to better revenue modeling by giving in the inputs, in which case, they also feel empowered to be able to maximize their yield from the cinema assets. So that is one.

Second is since they are -- there is a little bit of pride of having a PVR INOX cinema being your own cinema. So there is something connected on the emotional side also as well, which we end up leveraging because the brand has been delivering consistent results year-after-year. So one, you're talking about the breakeven point not being achieved over the last 2 years.

Now that has not been the case because this is like a 30-year game that one is talking about. There is a precedent of 30 years and there would be a precedent of an infinite number of years, which will be available to the brand. So most of these development partners believe in the long stay of the game. They are not living on a quarter-by-quarter basis unlike a financial institution.

Moderator: We take the last question from the line of Pankaj Mehendiratta from Bank of America.

Pankaj Mehendiratta: Three quick questions from my side. First one, your thoughts on Karnataka government budget announcement on capping the movie prices at INR200. Where are we -- how much impact do you see? Have you gone back to the government and asked for further concessions out there?

Pramod Arora: So the government has not taken any -- yes, Kamal, go ahead.

Kamal Gianchandani: No, no, go on, please. Sorry.

Pramod Arora: So as of now, this has not basically been implemented by the government. So as of now, it is in abeyance. So until such time the matter comes up, there's no -- there's no need of any analysis to be done on that count.

Pankaj Mehendiratta: Second question is around the use of cash. So assumption is there is nothing inorganic as an opportunity probably out there. So would the Board have thought around doing dividends again or some buyback? Is there a sort of conversation happening around or not really?

Gaurav Sharma: I think, as I said earlier, our capital allocation strategy is very clear. We will focus on generating free cash, which would be used towards deleveraging the balance sheet further. We would ideally want to come down to a negligible net debt level over the course of medium term, over the course of next 2 to 3 years. So that's our priority number one. And once we have achieved that goal, then the Board will decide on dividends and other alternatives uses of cash.

Pankaj Mehendiratta: And so is it safe to say that once that happens and if there are the sale proceeds from the management contract cinemas, then one might expect that as a bullet payment for dividend? Could that be a scenario?

Gaurav Sharma: See, I would not like to make a specific comment on that. That's a decision that the Board will take at the right time. So I think we should leave it at that.

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

Gaurav Sharma: Thank you, everyone. Thanks so much for joining this call, taking out time today, and we're very happy to address your questions. In case there is any further questions that you may have, you can reach out to the Investor Relations team at PVR INOX or you can write to me. Thank you so much.

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