

May 18, 2026

**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 of our letter dated 4th May, 2026 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 Monday, 11th May, 2026 post announcement of Audited Financial Results for the Fourth Quarter & Financial Year ended 31st March, 2026.

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

This is for your information and records.

Yours sincerely,
For **PVR INOX Limited**

**Murlee Manohar Jain
SVP - Company Secretary
& Compliance Officer**

Encl: A/a.

PVR INOX LIMITED (Formerly known as PVR Limited)



“PVR-INOX Limited
Q4 FY26 Earnings Conference Call”
May 11, 2026



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

MODERATOR: **MR. JAYRAM SHETTY – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the PVR-INOX Limited Q4 FY26 Earnings Conference Call, hosted by ICICI Securities 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. Jayram Shetty from ICICI Securities. Thank you, and over to you, sir.

Jayram Shetty: Good afternoon, everyone. I welcome you all to PVR-INOX quarter 4 FY26 earnings call. The call will start with brief management remarks on the earnings performance, followed by interactive Q&A session. PVR-INOX management will be represented by Mr. Ajay Bijli, Managing Director; Mr. Sanjeev Kumar, Executive Director; Mr. Gaurav Sharma, CFO; and other senior management personnel. Over to you, sir.

Ajay Bijli: Good evening, everyone. This is Ajay Bijli. I'd like to welcome you to discuss the audited results for the quarter and the year ending March 31, 2026. The earnings presentation and results were uploaded to our website and the stock exchanges earlier today, and I hope you've had a chance to review them.

FY26 was a defining year for PVR-INOX. We delivered our best ever financial performance, brought net debt to a negligible level and pivoted decisively to a capital-light growth model even as the Indian box office reached an all-time high. Today, PVR-INOX is structurally stronger than at any point in our history. Within India's exhibition industry, PVR-INOX stands apart as a well-loved consumer brand with unmatched market leadership and scale.

Today, we operate nearly 40% of the country's multiplex screens and capture 31% of India's box office with prime locations, premium formats and the trust audiences placed in our brand. We are the preferred partner for India's leading mall developers and top film producers and the industry we lead is itself on a strong long-term trajectory.

India's box office has grown at a 7% to 8% compounded growth rate over the last decade, reflecting the sustained structural demand for movie watching in cinemas. Theatrical first is now firmly the dominant release model as producers and OTT platforms alike recognize that theatrical performance sets the quantitative and the qualitative benchmark for a film.

Against this backdrop, FY26 was the strongest year in the industry's history with collections rising 11% to INR13,519 crores. The standout was a resurgence of original Hindi cinema with Bollywood collections growing 55% year-on-year, delivering its best year ever. English cinema also delivered a strong year, growing 54% on a robust slate of Hollywood releases.

Another big positive trend in FY26 was a solid comeback of mid-scale films grossing between INR100 crores to INR200 crores, which saw its share rising from 12% to 20%. Growth is now broader, more resilient and less dependent on a handful of mega blockbusters.

Coming to our performance, Q4 FY26 recorded our highest ever fourth quarter collection supported by titles like Dhurandhar: The Revenge, Border 2, Project Hail Mary amongst others. We welcomed 31 million guests in the quarter and 150 million across the year, which is a 10% growth over FY25.

ATP for the year stood at INR280, which is up by 8% compared to previous year and SPH at INR147 compared -- up by 10%, both record highs. In Q4, ATP touched INR315 and SPH INR165. On an IND AS 116 adjusted basis, FY26 revenues was a record of INR6,742 crores, up 16% year-on-year. EBITDA before exceptional items doubled to INR968 crores with margins expanding from 8.4% to 14.4%, reflecting both strong revenue growth and the cost discipline we have sustained for several years.

FY26 also recorded the highest ever PAT at INR386 crores against a loss of INR152 crores in FY25. For quarter 4, revenue grew 25% to INR1,577 crores. EBITDA rose nearly six fold to INR169 crores and PAT was INR178 crores versus a loss of about INR10 crores -- INR106 crores. PAT for Q4 '26 and fiscal 2026 also included gains on the divestment of 4700BC to Marico.

On growth, our model has pivoted decisively to capital-light. Of the 93 new screens added in FY26, 55% came under capital-light formats with around 44% of additions in underpenetrated South India. Screen exits dropped sharply to 18 from 72 last year as the post-merger portfolio rationalization is largely behind us.

Our signed capital-light pipeline now stands at 138 screens, 52 under FOCO and 86 under asset-light. Capex intensity is down 24% year-on-year basis. Robust operating performance, sustained cost discipline and reduced capital intensity have driven consistent free cash flow generation over the past 3 years, with FY26 free cash flow reaching an all-time high of INR790 crores.

This cash flow has been deployed towards debt reduction, thereby strengthening the balance sheet. Our net debt now is nearly down 90% since the merger to a negligible level of INR161 crores as of 31 March 2026. Return on capital employed has improved to 10.2% in FY26, a clear breakout, and we will continue to work towards improving it further.

Looking ahead, FY27 content pipeline is broad and diverse across Hindi, English and regional cinema, giving us strong confidence in the trajectory. On the Hindi front, anticipated titles include Cocktail 2, Dhamaal 4, Welcome to the Jungle, Awarapan 2, Ramayana: Part 1, King, Love & War and with several other films also lined up.

Regional cinema continues to offer exciting content lineup like Peddi, Toxic, Jailer 2, Spirit amongst others. Hollywood is lined up with Masters of the Universe, Toy Story 5, The Odyssey, Spider-Man: Brand New Day, Avengers: Doomsday and many others. We enter FY27 with the strongest balance sheet in our history, an exciting and diverse content slate, a strong pipeline of new screen signings and an industry tailwind that is structurally stronger, we are confident the next chapter will compound on what we delivered this year.

With that, I open the floor for questions. Thank you.

- Moderator:** We have first question from the line of Abneesh Roy from Nuvama.
- Abneesh Roy:** Congrats on fantastic debt reduction. So that will be my first question. So in terms of debt, obviously, now it is negligible. So what will be your expectation given light-asset strategy going ahead in next year, FY27 also? So what kind of screen addition you expect, what kind of own screen versus the low-asset model? And what would be the plan once you have net cash? Would you like to start dividend also?
- Ajay Bijli:** Well, firstly, the pipeline, about 120-odd screens visibility we have to open, we have that we'll be opening next year. And the percentage of screens opening in FOCO and asset-light model will -- was 55% this year. It will continue to be between 55% to 60%. And so that is your first question.
- And secondly, with the kind of lineup that we are looking at, I think we will continue to have healthy cash flows. And definitely, we want to get into a situation where we are cash positive. And of course, then the Board will meet and decide what should be done with the accruals. We haven't given it much thought at the moment. Gaurav, would you like to add something to it?
- Gaurav Sharma:** No, I think you've covered all the key points and nothing incremental.
- Ajay Bijli:** Okay.
- Abneesh Roy:** Sure. My second question is slightly on the macro side. So 2 parts to that. One, of course, Prime Minister has said yesterday not to buy too much gold jewellery next 1 year and not to travel outside also. Now obviously, diesel and petrol price hike is just an event which will happen very quickly now. So would you expect some kind of a consumption impact on multiplex being also given urban disposable income can get impacted?
- And slightly related question, one of the key South Indian state now has a Chief Minister, who is obviously one of the biggest CEO. So any possible positive news either in that state or any of the other state, any positive regulatory you expect in the medium, long term? Not asking immediate because these things can't be predicted.
- Ajay Bijli:** Yes. I mean, first -- firstly, I must tell you that obviously, it's not very -- if the macroeconomic scenario is something that the PM has spoken about and asked to take certain austere measures. That's all due to the West Asia crisis. And obviously, that doesn't sound that good overall.
- But having said that, we -- history has shown that cinema being still a very small ticket size, if you look at PVR, ATP is INR280. And overall, if you look at India, India is -- maybe the average ticket price is somewhere between INR100 and INR150 maybe if you look at all the single screens, multiplexes, which are there. It's still a very -- and our average transaction size is 2 to 2.5 when people go and watch a movie.
- Typically, history has shown that -- I don't want to use the word recession, but I'm just saying in challenging times, cinema going actually benefits. People do go out and then they eliminate all other discretionary spends of traveling and other things that they do, leisure activities, but cinema generally bounces back and people do like to entertain themselves in the cinemas. So I'm not

saying that it's good, what is happening as an impact of Western Asia crisis, but we do not directly see that there will be any impact to our own business due to this.

Abneesh Roy: And on Tamil Nadu or any of the other states, anything positive you expect given regulatory changes, government policies?

Ajay Bijli: It is too early. It's just -- I think only today he's become the CM. There is no -- I don't think that is probably number 1 on his agenda just now. So we don't know of any regulatory positive or what kind of news is going to come out of Tamil Nadu.

Abneesh Roy: Last quick question. If I see your revenue streams, advertising seems to have been the slowest growth. Obviously, now there will be margin pressure for all corporate advertisers and even non-corporate advertisers in Q1 and possibly Q2. So what is the outlook on that? And when I analyze IPL, in cities where IPL has been held and cities where non -- there is no IPL actual match, have you seen box office performance different? Because, say, in Bombay, there is an IPL match, obviously, a customer has a choice. But in cities like Patna, where there's no IPL match or say any other city like that, are you seeing box office growth in Q4 where IPL has been there a bit faster in such cities?

Ajay Bijli: No, I think IPL is completely -- has no impact on cinema going at all. We have seen no correlation. So many movies have got released in the last few weeks ever since IPL has started, whether in the city where it is being played or in any case, the city in which it is being played, there's only so much capacity that city can take in a stadium and all these cities are pretty populated.

And I think both of these things are very different forms of entertainment. Those who want to watch cricket, they watch cricket. Those who want to go and watch a movie, they watch a movie. So I don't think one eats into the other at all. We haven't seen any evidence of that.

And as far as advertising is concerned, I will let Gautam Dutta, our CEO, answer you -- address that question for you about the impact of any challenging times on advertising revenues. Gautam, would you like to answer this?

Gautam Dutta: Yes, yes. So thank you so much. First and foremost, I would want to also add on IPL, we are also screening quarter finals, semifinals and the finals in our cinemas and completely validated what Mr. Bijli said that there is absolutely zero impact. In fact, it plays pretty well for us, and there's been absolutely 0 impact.

On advertising, just to -- while these numbers are a bit subdued, most of our growth this year also came in from a lot of sleeper hits, which became really, really big at the box office, which was great news. And there were about 2 or 3 big blockbuster films like Jana Nayagan and Toxic, which technically moved.

If those 2 films would have got released because they were a Pongal release and then early Jan release, that would have actually helped us to register at least a 7%, 8% growth on advertising. So largely, we are on track. It's just that some of the big blockbusters moving has kind of

impacted. And whenever a movie moves, there is a bit of a vacuum that gets created and because of which this happened.

But having said that, this year seems to be a very balanced year, both in terms of Bollywood, Hollywood as well as regional. And while the primary growth in advertising, the way we are seeing will come in H2 simply because of the mega titles getting released in October, November, December period. But we are well poised this year to be on our projected growth path as we've shown over the last so many years, and there would be no deviation there.

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

Umang Mehta: Congrats on a strong year. My first question is on the pipeline. So currently, based on whatever in the pipeline, what's the conviction in terms of footfall growth or occupancy for F '27? Any guess you can hazard for us?

Ajay Bijli: You're talking about the pipeline of this full year?

Umang Mehta: Yes, FY27.

Ajay Bijli: Yes. I mean I can start from this quarter itself. You've got this Pati Patni Aur Woh Do coming. And then you've got later on, so many films. Odyssey is there. Ramayana is a big one. Drishyam 3 is coming. You've got Dhamaal. You've got Welcome to the Jungle. You've got Cocktail 2. There's a movie called Chand Mera Dil, which is coming. And later on, big movies like Odyssey.

In Hollywood films, you've got this time Star Wars, Toy Story. You got Evil Dead. Odyssey is a very big one. Spider-Man is coming. Dune 3 is coming. Avengers, which is always very big in India, Jumanji, a lot of regional movies. I mean, Toxic is bound to come this year.

There was a gentleman who was asking the question about the Chief Minister of -- newly appointed Chief Minister of Tamil Nadu. His movies, Jana Nayagan is coming, and that's got a very good traction. Peddi is coming. Gabru of, what you call Sunny Deol is coming. So plenty of movies. I can rattle off the entire lineup, but I think this should be enough. So you're okay with it.

Umang Mehta: And so in this -- on this -- like given this backdrop, are you confident that occupancy levels will keep inching up? Can we maybe pencil in more 27% plus for F '27? Or how are you thinking internally?

Ajay Bijli: The trend is only that it goes up. And I've been talking to a lot of people about the macro picture of India, 1,500 films get released every year. So movie by movie, if one movie does well, one doesn't do well, it doesn't matter to us that much. But on an overall basis, I think there's a CAGR growth of 8% in the Indian box office. Our occupancies are increasing.

The number of films which are -- the bracket of INR100 crores to INR200 crores movies is only increasing every year. The bracket of 500-plus movies has only been increasing post-COVID. So obviously, all these factors, more and more investment is being made by the film fraternity into movies for the big screen. If you look at OTT versus exhibition, there was an EY report,

which basically just got released, wherein calendar year 2022, 217 movies first came to the theaters and 105 came to OTT.

This year, 470 have come to theatrical and only 30 have gone to OTT. So a theater-first model is a very clear model for all the producers. So I think there is no reason for us to not be optimistic that occupancies from now on are only going to improve.

Umang Mehta: Sure, sir. The second question was on one of your growth vectors, which you mentioned about Tier 2 and below cities. So any update you can share on the smart screens pilot, which you were kind of running?

Ajay Bijli: Yes. I think by July 15, a couple of pilots will open. I think we're calling them pilots. We're very confident because these are in good cities. Good deals have been signed by the developers. Demographic studies have been done. So by July 15 or mid-July, at least 2 of them are open, and we're hoping to open close to 28 to 30 screens under this model.

Umang Mehta: In FY27 or over the next year? Okay. Sorry.

Ajay Bijli: No, this financial year.

Umang Mehta: Got it. And just 2 bookkeeping questions for Gaurav. So one is the capex outlook. I mean, if you can share a ballpark range for next year? And what was the management fee income in F '26 from the FOCO screens?

Gaurav Sharma: So next year, I mean, financial year '27, we expect around INR375 crores to INR400 crores of overall capex, which will be spent across new projects as well as renovation of some of our high-value cinemas. And our management income has seen a sharp increase, even though at an absolute level, it is about close to INR10 crores for financial year '26. But on a run rate level, it is at about INR13 crores to INR14 crores per annum, and it's growing.

Moderator: We have next question from the line of Harit Kapoor from Investec.

Harit Kapoor: So first question was just to get your sense on the capital-light model. If you could just help us understand that what is the number that we currently have already in this model? And incrementally, what's the kind of -- within the 120 screen pipeline, what that number looks like going forward? That's the first question.

And the second one was on the rental side. So I've seen that there is some reduction as the rent as a percentage of sales starting to kind of come down as maybe capital-light model kicking in as well as some operating leverage that you're getting on revenue. Just wanted to understand that over a 2-, 3-year period, once this capital-light piece picks up as well, what kind of basis point savings one can think of in this line item, which is your largest opex line item?

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

Gaurav Sharma: Sure. Sure. So Harit, I think we have given that data as part of our investor presentation as well in current, in financial year '26, overall, we have added about 51 screens under capital-light

model, of which 29 were asset-light where developer contribution was 40-80% of Capex and 22 screens were under FOCO model, where it was completely franchisee-owned and company operated.

Overall, I think going forward, we have about 138 screens, which are signed under capital-light, of which 52 are under FOCO model and about 86 are under asset-light. So that's one. Second, in terms of going forward, our rental cost, of course, in capital-light model and franchisee model is going to be lower as compared to cinemas where we invest our entire capex and that appears in our P&L.

At this stage, it's hard for us to give a guidance on what exact percentage drop that will happen in terms of percentage of revenue. But overall, the trend will be on asset-light will be on the lower side.

Harit Kapoor: And Gaurav, just a follow-up is that this 138 number that you mentioned, that gets executed over what period of time?

Gaurav Sharma: This will get executed over next 18 months.

Harit Kapoor: Okay. Okay. Next 18 months.

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

Arun Prasath: My first question is on this asset-light model. I understand capital-light model helps us in diversifying the risk of content. But what I'm trying to understand is now that we have a very neat balance sheet, our constraint on balance sheet is not there.

And unless and until we go for a very large number of screens, how is that asset-light model helping us? Because the way I'm seeing is that your screens count is increasing, but your capital deployed -- capex deployed is decreasing, which will be at this point of time because we have enough resources.

So can you just throw a light of what is our objective of doing asset-light model going forward if we have enough resources, if you are generating enough operating cash flows and we don't have any restrictions because of the balance sheet debt constraints?

Ajay Bijli: Asset-light model and the FOCO model is straightforward, your ROCEs improve dramatically. So I think beyond a point, if you look at our entire circuit, I mean, this we just started about 3 years ago. I mean, of course, we had some properties under management earlier on. But I think because the brand is now recognized and everywhere, I think sweating the brand is something that -- is something -- it's a very natural progression for any brand to do.

So in the hospitality sector, retail sector and even in the some of the restaurants, F&B sector, this is something which is very common. So you have a healthy balance of growing with your own capex as well. And at the same time, wherever the opportunity lies to improve your ROCEs, you should be looking at this model as well. And I think even if we have cash flows, it doesn't matter they have to be deployed on our own expenditure, number one.

Number two, a screen expansion of 120 to 150 screens in a year is quite healthy because we still want to have unit level economics working, both for us and the developers who are spending the money. So we -- always PVR-INOX has been very careful about our screen expansion strategy. Not for the heck of it, we should just put screens everywhere. Wherever the demographics are correct, market dynamics are correct, where we get a good deal is where we want to grow.

So unit level economics have to make sense. And given the pace of shopping centers and malls and opportunities in the smaller towns, I think growing by 100-odd screens every year is still pretty healthy. Gaurav, you'd like to add something more?

Gaurav Sharma:

No, nothing incrementally, sir.

Arun Prasath:

One just clarification. The unit economics of the screen is not dictated by who funds the capex. So obviously, ROIC at the property level is not going to change because of we putting an asset-light or obviously, under our balance sheet, it makes a difference. But as long as that unit economics works in a particular catchment area and ROIC is not going to be different because of what -- who funds the capex.

So ideally, if we have enough balance -- unless and until as I said the mall supply is so high and we can't be catering to all those screens by ourselves, then asset-light makes sense to me. Just a bit more nuance of why we are doing this if we have enough balance sheet is what my original question is.

Ajay Bijli:

Gaurav, I'll leave it to you to answer that, please.

Gaurav Sharma:

I think the -- as Mr. Bijli explained earlier, the strategy is not to use our own capex, use our own capital to open every screen. I think the idea of the merger that we did 3 years back was to create market leadership, a strong brand that we can leverage vis-a-vis the new screen additions. We are -- what we are saying is that our new screens will be a healthy mix of lease model where we will put in our own capex, especially in markets where there's high competitive intensity, particularly in South India.

And in other markets in the country where there is -- we have a good market share and a very strong brand and the competitive intensity is less, we would like to partner with the developers with capital contribution and also do only franchise deals. The whole idea is that we fund our growth through our own internal accruals rather than using capex and borrow through debt and grow and make -- use the strength of our balance sheet to fund the growth for future. It also helps to improve the return matrices, and that's quite visible when we look at the numbers that we have reported in financial year '26.

Arun Prasath:

Okay, right. So which means implying -- what it implies is if we are going to steady state generate an operating cash flow of north of INR700 crores, INR800 crores, ideally we should put all this into the deployment and develop more screens. That is what we can expect in a steady-state basis? So -- because India is so underpenetrated market in terms of screens, multiplex screens.

- Gaurav Sharma:** There has to be enough opportunities and unit economics should stack up for that location, for that mall for a multiplex to be operating. So it's a combination of multiple factors.
- Ajay Bijli:** And basically, screen expansion is not getting compromised because of asset-light and FOCO model. Screen expansion is completely robust and wherever there is a good opportunity, we're just utilizing our capital in such a manner where there is -- we are being prudent about how to utilize our capital. That's all we're doing.
- We're not compromised just because we're doing FOCO and asset-light, it is not compromising on the screen growth strategy. That continues to remain whatever opportunities which are coming our way. And when we -- if we evaluate it and the unit level economics work, we basically are grabbing on to it. What model we work it in is not going to compromise on the screen growth, the percentage growth we want to increase.
- Moderator:** We have next question from the line of Mr. Jinesh Joshi from PL Capital.
- Jinesh Joshi:** Yes. Congrats on the balance sheet improvement. Just one observation on the balance sheet side. I see that our ROU asset has come down from about INR4,900 crores in FY25 to about INR4,600 crores in FY26. But correspondingly, we have added about 42-odd screens on lease basis and about 29 on asset-light basis, which effectively means that there has to be some capitalization on the balance sheet with respect to these screens. Just wanted to know why the ROU figure has come down when we have had screen additions in '26?
- Gaurav Sharma:** So ROU, as you know, ROU assets depreciate over time and simply because the depreciation over the last 1 year has been more than the gross additions on the ROU on lease model screens. That's why there is a drop in ROU assets, because if you add -- if we add FOCO screens and asset-light screens, the contribution of these screens on ROU assets is much smaller than a fully leased sort of screen additions.
- Jinesh Joshi:** Do we also capitalize FOCO screens? My understanding was that under that model, the P&L belongs to the developer and not us.
- Gaurav Sharma:** We don't capitalize FOCO screens.
- Ajay Bijli:** Sorry, Gaurav, you go ahead, please. Yes.
- Gaurav Sharma:** We don't capitalize FOCO screens on our books.
- Ajay Bijli:** And the P&L, the asset-light model belongs to us, I mean belongs to the company. In the asset-light model, where there is a developer contribution, the P&L is ours.
- Jinesh Joshi:** Right. And secondly, I just wanted some clarification on the capex figure that you mentioned for FY27. If I heard you right, you have given a figure of about INR375 crores to INR400 crores, and we plan to open about 120 screens in '27, whereby 55% to 60% will be only FOCO and the asset-light model where typically our capex commitment has to be very negligible.

Just wanted to understand why this figure is high. I understand we have renovations as well, which you highlighted in the opening remarks, but if you can break this number into new organic capex and renovations, it will be really helpful.

Gaurav Sharma: Yes. Roughly around about INR225 crores to INR250 crores we will spend on new projects, which will be across payments which are due for projects which are under fit-out as well as new handovers that will take within the year. And about INR80 crores to INR100 crores will be spent on renovation and the balance we will spend on maintenance and IT related capex.

Jinesh Joshi: Got that. One last question from my side on -- in FY26, we closed about 18 screens, and I believe we have had some closures in FY25 as well. Just wanted to get some sense, have any of these properties that we have vacated, have they been occupied by any of the peers? Can you give some color on that?

Ajay Bijli: Because some of the malls themselves are very decrepit and they did not have any potential at all to be revived because PVR itself started in '97, INOX started in 2000. So some of these malls and leases are all 20 years -- I mean, say, 15, 16 years in existence, 20 years in existence. So they've been replaced by newer malls and newer multiplexes in the same demographic by us only.

So we've only moved to a better mall, better destination. And in certain cases, the malls have been converted into other uses and some malls have closed down and certain -- some operators have taken it. But from our scheme of things, it did not make sense for us to grow -- continue on those properties.

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

Sameer Gupta: Sir, I had a broader industry question. Now this is regarding industry footfalls and occupancy. What I understand is that FY26 has been quite a normal year in terms of say, Hollywood coming back, OTT heat normalizing and we've seen that evidence in terms of direct OTT releases and so on. Also overall consumption across the board has been picking up.

When I look at our occupancy level of 25.8%, this is very similar to '23-'24 levels. So what gives us the confidence that this is still not the new normal post-COVID and there can still be improvement? I understand content lineup, but quite frankly, there are like 1,500, 2,000 releases in a year. I mean 1,500 will be of good quality is the general consensus.

Ajay Bijli: 26.2% is what we closed the year on.

Sameer Gupta: Okay, sir. But still, the question still remains.

Ajay Bijli: Yes, yes, yes. So it's -- so every year, there are explainable reasons. This particular year, I think February was not very good. Diwali, which is an aberration, wasn't -- normally, you have big Diwali releases. So that didn't happen.

But I think we're moving in the right direction of more and more movies coming on the big screen, more and more people preferring to watch it on the big screen than any other format. And so I see no pessimism or skepticism to think that this occupancy level will not come up.

Secondly, we are not just -- we're looking at occupancy levels at one level, but we're also looking at our costs so that even at, say, 27%, 28% occupancy, we are able to get the same EBITDA margins that we were getting pre-COVID. And of course, if it does go to 31%, 32% occupancy, then you are bound to get much better margins than even what we were getting pre-COVID because of our cost efficiency that we are achieving post the merger.

And optimism is also coming from the lineup. Optimism is coming from the fact that more and more filmmakers are making film for the big screen, not just in India, but India when I say Hindi, regional and also Hollywood.

Sameer Gupta:

Got it, sir. But is there evidence now that the OTT heat is now behind and this is the new normal? Or there is still some bit of story left there as in there is still a fatigue associated with OTT that might come in future or that has largely played out?

Ajay Bijli:

No, it's played out. It was always a -- it was never a substitute. It only became a substitute during the COVID period, obviously, when cinemas are shut. It was always something complementary. Home entertainment has always been complementary.

TV shows people watch at home. But when it comes to movies, the first platform where movies are monetized and seen has always been big screen. So I think this debate is quite hackneyed and outdated now. And there is enough evidence also about the degrowth of OTT and the growth in people going out and watching movies on the big screen.

Sameer Gupta:

Got it, sir. So fair assessment here is that pickup from here on is more driven by macro factors and not specifically to PVR-INOX or the cinema industry as a whole, but more to do with macro factors? Is that a correct interpretation?

Ajay Bijli:

No cinema very much due to the -- because cinema is very much in the cultural fabric of our country, cinema going. So macro factors can be anything. But this is -- I'm specifically talking about the film industry. And in the film industry, all the stakeholders, which are the filmmakers, the OTT platforms, the consumers, the mall developers, everybody is now making way for theatrical.

So I think the fundamentals of the business have always been strong. That's the reason why the growth in box office numbers are there. This year, the INR13,395 crores, whatever calendar year has been the highest ever. And also PVR is -- it's not just a passive brand. It's a very active brand.

We have got the best locations in the country. We are proactively doing so many marketing activities to make sure people come to our cinemas. So PVR does get a delta over any other operator, any other cinema chain because of the way we positioned ourselves. So I think it is not just macro. It is a lot of proactive effort that PVR Cinemas -- PVR-INOX makes and also because of the way the film industry is currently poised.

The fact that movies are doing so well at the box office, that fact is not lost out on any of the filmmakers because there is no cap to how much a movie can earn when it gets released on the big screen. Smaller movies like Saiyaara, Mahavatar Narsimha, Laajo, all these movies were small to medium budget movies and look at the box office collections they have got.

Moderator: We have next question from the line of Parag Thakkar from Fort Capital.

Parag Thakkar: Yes. Thanks a lot for giving me the opportunity and thanks a lot for the very good performance. I would like to ask that, see, fundamentally speaking, our stock is completely undervalued. And now, of course, as you rightly said, the trend is changing from last 6 months, we are seeing good footfalls. So -- and you are generating so much of operating cash flow and your capex is limited. So why would you not consider a buyback?

Because if you remember, during COVID also, we did a QIP at around about INR1,300 and still the stock price is below that even after such successful movies. So -- and you are saying that pipeline is also looking very robust. So why a buyback where promoter will not participate is not an option as a capital allocation decision now that your net debt is just INR160 crores?

Ajay Bijli: Gaurav?

Gaurav Sharma: Sure. So Mr. Thakkar, I think we have been on the journey of deleveraging over the course of last 2, 3 years, as you've seen. Our net debt levels have come down by almost 90% since the merger time, and we are now negligible net debt. I think the first goal objective for the company is to become a positive net cash, which is looking very likely in the near future.

And I think once that is achieved at the -- under the guidance and discussions with the Board members, and we will also discuss the capital allocation priorities and objectives of the company post that. At this stage, yes, it is definitely one of the things which is there in the list. But at this stage, we don't have any incremental guidance to offer.

Parag Thakkar: Okay, sir. It is my genuine request that once you are net cash, I think because the stock is completely undervalued based on the fundamentals and of course, the stock has not rewarded shareholders because of other reasons which are not in your hand. But now that the tide is turning, I would seriously recommend that we should go for a buyback.

Gaurav Sharma: Sure.

Ajay Bijli: Your point is well noted. As I said nothing is off the table.

Moderator: We have next question from the line of Kavish Parekh from 360 ONE Capital.

Kavish Parekh: Congratulations on a good set of numbers. Sir, your initial capital-light screens are now almost 8, 10 months old. How would you assess the progress on this initiative so far across both the FOCO, asset-light models, what have been the key learnings, positive challenges or areas where further improvement is required? And could you also quantify the margins you are generating on such screens today?

- Ajay Bijli:** Yes. Gaurav, can you answer that? Yes, if you have the numbers? Yes.
- Gaurav Sharma:** I think we've had very strong response on both franchisee as well as asset-light models. On the franchisee screens, there has been a very strong response, especially in Tier 2 and Tier 3 towns, a lot of cinemas that we have opened in the recent past, for example, in Siliguri, Gangtok, Agra, Leh, they have been all franchisee deals. And the performance has been pretty strong.
- The response from the local partner that we have given the franchisee to has been satisfied and the overall growth in the management fee on a run rate basis has been upwards of 40% to 50%. Even though on an absolute basis, it is still a small portion of our total top line because we have almost 1,750 to 1,800 screens on the lease basis. Asset-light, which is where we partner with the developer where developer contributes anywhere between 40% to 80% of the capex. Again, there are a few cinemas we have opened in the last 1 year under that model. And we are yet to see 1 full year of operations.
- But so far, I think the earliest one that we opened was last year sometime in the month of April and May and which has completed 1 full year of operations and the performance has been pretty healthy. ROCs are in line with what we had estimated at the time of feasibility of those cinemas. As we open more cinemas in the asset-light approach, we will also learn about how they are performing and overall response from the developer partners there.
- Kavish Parekh:** Got it. And on the expansion plan, 75 net screens added this year, what is the plan for FY27 in terms of gross additions? Would it be around 100, 120? Apologies if I missed this number earlier.
- Gaurav Sharma:** That's right. Between...
- Ajay Bijli:** Expansion will be continuing to be over 100 screens. Some will be through this model of FOCO and asset-light, some will be -- we will be spending our own money. There's a lot of focus on Tier 2, Tier 3 sort of cities as well with our Smart Cinema initiative, which is -- I think the first one will open by mid-July.
- But -- so we are expanding in those smaller towns as well. And of course, big cities continue to surprise us because the CBD keeps changing, newer malls, newer shopping centers continue to come in, cities like Bangalore, Bombay, Hyderabad, Chandigarh, Kolkata, Surat. So -- and big developers like Phoenix, Prestige, DLF, Oberoi Realty, Nexus Malls, they continue to expand into various regions and various cities.
- So we are very much their preferred partner with most of the -- in fact, all of the top developers in the country today. So they are continuing to have shopping centers and having spaces allocated for cinemas.
- Kavish Parekh:** Sure. And on a capex basis, on the capex front, what would be the average capex per screen on the smart screen model, the one that you plan to ramp up in Tier 2, Tier 3?
- Ajay Bijli:** Gaurav, will you give the comparison between normal screen and...

Gaurav Sharma: Yes. Roughly for smart screens that we want to open up in Tier 2, Tier 3 locations, the offering will be more affordable, both in terms of capex and more cost efficient in terms of operations. So we expect that our per screen capex for a smart screen will be at least 30% to 40% lower than mainstream cinema in that same location. So depending on where we open, it will be about 30% to 40% lower.

Kavish Parekh: Got it. And last question on the debt position, stellar debt reduction over the full year. From here on, what is the thought process on gross debt? You have a cash balance of about INR6 billion, gross debt of about INR7.5 billion. Do you plan to pair it gradually while holding on to cash? Or will there be accelerated payments on the gross debt front? Of course, as you mentioned, dividends could be considered at some point in the future, but what is the intended use of cash here with respect to debt?

Gaurav Sharma: I think in the near term, we will use it to further bring down our gross debt. Our gross debt as of 31st March is around INR760 crores, and we intend to bring it down to about INR500 crores levels. And in the last year, we've prepaid a lot of our term loans. We will continue to prepay some of the term loans and some loans will -- with the flux of time, will get reduced. So we want to bring it down to about INR500 crores levels at a gross debt.

Kavish Parekh: So then net debt coming down to 0 is a possibility by, say, 1H FY27?

Gaurav Sharma: Yes. While I would not like to comment on the exact timeline, but in near term, it's definitely on the horizon.

Moderator: We have next question from the line of Saurabh Beria from Sameeksha Capital.

Saurabh Beria: First of all, congratulations on the great set of numbers. I wanted to understand some unit economics on the new model. First of all, for say the FOCO model, we are not contributing on the capex side. So on the Consol basis, we are not even adding the top line in -- revenues in our top line.

So what exactly do we combine in the P&L, the management fee? And is that on a fixed basis or what is the proportion? And secondly, same on the asset-light structure, for say, they contributed 50%. So do we add the entire into the ROU asset and then what do we book in the P&L? So I wanted to understand on this part.

Gaurav Sharma: Sure. So on the FOCO model, we only book the management fee. We don't consolidate the P&L of the property. The P&L is retained by the landlord. And the management fee varies between 10% to 14% of the top line of the cinema. That's how we record the financials in our books. On the asset-light model, where there is a contribution coming from the landlord anywhere between 40% to 80% of the overall cinema capex.

Depending on how much the developer contributes, we work out an arrangement of yield on his investment. So the balance capex, which comes to our account, which is, let's say, 40%, 50% is something that we capitalize in our books and gets recorded as ROU assets and lease liabilities. And the entire P&L is consolidated. The yield that we pay is in the form of rentals and appears as a rental expense in our P&L.

- Saurabh Beria:** Okay. Perfect. Another thing, just confirm if I'm right. On the FOCO side, if you are not adding incremental capex and getting a fixed top line of their revenue. So this is the way we improve our ROI going forward, right?
- Gaurav Sharma:** Sorry, I missed your last part of the question. Can you repeat it?
- Saurabh Beria:** If we are not contributing capex on the FOCO side, and we are getting top line added to our revenue, their share. And so this is the way our ROI improves going forward, right?
- Gaurav Sharma:** Yes, the management fee gets recorded in our P&L. So if -- let's say, this year, for example, we have added about close to 18 or 19 FOCO screens. So we just get management fee in our P&L. And incrementally, whatever FOCO we add, the revenues are recorded. There is no cost to it.
- Saurabh Beria:** But we do operate. So there is some employee cost incurred by PVR on these screens?
- Ajay Bijli:** No, no, no.
- Gaurav Sharma:** So as I explained earlier, the P&L is with the landlord.
- Ajay Bijli:** Yes.
- Saurabh Beria:** So we incur no expense on the FOCO screens?
- Gaurav Sharma:** No.
- Ajay Bijli:** No, no. Not all. Not capex, not opex.
- Moderator:** Ladies and gentlemen, this will be the last question. I would now like to hand the conference over to the management for closing comments.
- Gaurav Sharma:** Thank you all for joining this management earnings call for quarter 4 and FY26. And if you have any further questions, you may reach out to me or my colleagues in the Investor Relations department. Thank you once again for joining this call.
- Ajay Bijli:** Thanks. Thanks.
- Moderator:** Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.