

**BSE Limited**

**National Stock Exchange of India Limited**

**BSE Scrip Code: 539141**

**NSE Symbol: UFO**

**Sub: Transcript for the Q3&9MFY23 Earnings Conference Call held on February 07, 2023**

---

**UFO Moviez India Limited**

**Kavita Thadeshwar  
Company Secretary**



**UFO Moviez India Limited**  
**Q3&9MFY23 Earnings Conference Call**

**February 07, 2023**



**MANAGEMENT:**

MR. RAJESH MISHRA – EXECUTIVE DIRECTOR AND GROUP CEO, UFO MOVIES INDIA LIMITED

MR. ASHISH MALUSHTE - CHIEF FINANCIAL OFFICER, UFO MOVIEZ INDIA LIMITED

**SR. ANALYST:**

Mr. TUSHAR PENDHARKAR – VENTURA SECURITIES LTD

**Moderator:** Ladies and gentlemen, good day, and welcome to the UFO Moviez India Limited Q3&9MFY23 earnings conference call hosted by Ventura 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 the conference call please signal the operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I, now hand the conference over to Mr. Tushar from Ventura Securities Ltd. Thank you and over to you, Sir.

**Tushar Pendharkar:** Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Ltd, I welcome you all to the Q3&9MFY23 earnings call of UFO Moviez India Limited. The company is represented by Mr. Rajesh Mishra, Executive Director and Group CEO of the company, and Mr. Ashish Malushte, Chief Financial Officer of the company. I would now like to hand over the call to Mr. Mishra for opening remarks, post which we can open the floor for Q&A. Thank you and over to you Sir.

**Rajesh Mishra:** Thank you, Tushar. Greetings everyone and thank you all for joining our Q3&9MFY23 earnings call.

Let me start with the updates and highlights of the nine-months so far.

The year started with the resumption of operations, revenue revival and increased audience appetite to consume different language movies in cinemas. Q1 FY23 began with the release of blockbusters like RRR and K.G.F: Chapter 2, etc. However, during the same time, big budget movies such as Samrat Prithviraj, Jayeshbhai Jordaar, Jersey, and Attack struggled at the box office. A similar trend continued in the next quarter where again big-budget Hindi movies with high expectations underperform due to various factors, even as the regional movies continue to excite the audiences.

The steady release of movies aided the revival in overall theatrical revenues, however, this was not enough to bring back the advertisement revenues to pre-pandemic levels as Hindi content does not resonate with the audiences at large. However, Q3 FY23 marked a steady recovery on the back of a healthy movie mix with the release of 603 movies (including versions) across languages. Movies like PS1, Kantara, Drishyam 2 and Avatar proved to be blockbusters, while films like Vikram Vedha and Bhediya garnered decent business but some tent pole films like Ram Setu, Cirkus and Doctor G could not make the mark. However, the steady flow of content at equal intervals in the theatre has kept the audiences engaged, resulting in increased footfalls to big screens and improved Box Office collections. This has helped to pull back advertisement spending in this quarter despite a dip in Q2.

Advertisement revenue has grown by 47% over Q2 to Rs. 195 million and surpassed the Q1 number of Rs. 178 million. On the government advertisement revenue front, the central government revenue continues to be a challenge due to reduced central government spending across the mediums. Though the state governments and PSUs have started allocating budgets towards in-cinema advertising. On the corporate advertisement front, we believe with a steady flow of content, the increasing advertisers’ confidence and content acceptance amongst the audiences will boost the corporate advertisement revenues going forward.

With Pathaan breaking the records and a strong line-up of movies such as Shehzada, Michael, Selfie, Shaakuntalam, Tu Jhoothi Main Makkaar and Bholaa in the coming months, we are confident that the path to recovery and business turnaround will be better in the coming quarters.

Now coming to the operational screen numbers:

We have highlighted in our Q4 FY22 earnings presentation that approximately 250 screens were

These screens primarily belong to Carnival Cinema network, which is currently under stress. However, due to our continued push for acquiring new screens, we have ensured that the screen mix i.e. PRIME and POPULAR category mix has improved. The PRIME advertisement screens has gone from 57% in Q4 FY22 to 60% in Q3 FY23.

Now, coming to CDC and VPF service revenue screens. CDC screens have declined by 99 screens, majority of this were again Carnival screens, and VPF service screens have declined by 1,449 screens. For those who are unaware of the two categories, let me first explain what are the VPF service screens. These screens are those screens where we were collecting VPF revenues on behalf of the multiplexes on contractual basis. Majority of the VPF fees that were collected were passed on to the respective multiplexes and only a small percentage was retained as our service fee. Whereas CDC screens are those screens that are our core digital cinema roll-out networks screens, and where we don't share any revenues with anyone.

Now, due to the contracts with two multiplex chains having ended, the VPF service screen count stand reduced by 1,485 screens. However, the net income from these 1,485 screens stood at Rs. 30 lac in Q3 FY23 and Rs. 98 lac in 9M FY23.

Coming to the headline numbers for the quarter and nine months ended December 31, 2022:

Please note as FY21 and FY22 were the washout years due to the pandemic induced restrictions. We have compared our performance with a pre-pandemic period that is Q3 FY20, and 9M FY20 for better representation of recovery in the business.

Consolidated revenue stood at Rs. 1,109 million in Q3 FY23 as compared to Rs. 1,426 million in Q3 FY20. Overall, a recovery of 78%. Business EBITDA stood at Rs. 101 million as compared to Rs. 360 million in Q3 FY20. Loss at the PAT level for the quarter stood at Rs. 3 million as compared with a profit of Rs. 274 million in Q3 FY20.

On nine-month performance, the consolidated revenues stood at Rs. 3,093 million as compared to Rs. 3,946 million in 9M FY20, a recovery of 78%. Business EBITDA stood at Rs. 253 9M FY23 as compared to Rs. 919 million in 9M FY20. Loss at the PAT level stood at Rs. 120 million as compared to a profit of Rs. 320 million in 9M FY20.

As far as consolidated funds position is concerned, the balance at the end of the quarter stood at Rs. 896 million. On the debt front, as of December 31, 2022, the company is net debt free with net cash of Rs. 65 million.

I would like to take this opportunity to thank all our stakeholders for their continued trust in the Company.

With that, I open the floor to take your questions.

**Moderator:** First question is from Rahil Shah from Crown Capital. Please go ahead.

**Rahil Shah:** In terms of revenue growth and EBITDA margins, can you provide any outlook, how do you see business shaping up? Just your views and if you have any target set for the next quarter and the financial year, that would be helpful as a guidance.

**Rajesh Mishra:** As mentioned in the opening remarks, the line-up of the films is very good for this quarter. And the best part is that Pathaan has worked in the Hindi market, which reinstates the fate of advertisers in the medium. People were quick to write an obituary of the Hindi cinema market, but this has been proved wrong by the massive success of Pathaan. I'm sure this momentum will only build up for the future. Good films and a good line-up will definitely translate in better advertising and VPF revenues. The overall sentiments of the industry has also gone up on the back of Pathaan's success.

- Rahil Shah:** Overall, will this show a positive impact on the margins, going forward?
- Rajesh Mishra:** This will have a very good impact on our revenues and profitability going forward.
- Rahil Shah:** At this stage, are you in position to give any projections?
- Ashish Malushte:** As a policy we have always stayed away from giving any future projection or estimates. Coming back to your question, the way our business is structured, beyond a particular level, the incremental profitability predominantly comes from advertisement revenue.
- Our core offering helps us to reach breakeven, with some support from advertisement revenues. And thereafter, as we start selling more and more advertisements against our inventory of 15 to 20 minutes per show (currently, we are at around 3 minutes), every incremental rupee that we earn from advertisement revenue adds almost 60-70 paise directly to PBT. So, it is relatively easy for a third person, analyst or investor to evaluate or make estimates about our profitability projections considering different sensitivities on advertisement revenue.
- And as Rajesh mentioned, in the first nine-months we had a challenge on content, which was holding back the advertisers from spending at the same pre-COVID level. Now, it seems that the outlook for Hindi language movies and footfalls is changing after Pathaan's success. And we will be closely watching this quarter, which should eventually translate into uptick in advertisement revenue, building on the current increase that we have seen in Q3 or Q2.
- Moderator:** Next question comes from Avinash Gupta, an individual investor. Please go ahead.
- Avinash Gupta:** I could see some bit of improvement, but where we see the Company going from here. Because the last 5-6 quarters, advertisement revenue is more or less static? And in this quarter, you were saying Pathaan is doing okay, so possibly this quarter numbers will improve, but probably there were two or three good movies in the last quarter as well. But that didn't impact our financials at all. So, in which direction the company is heading?
- Rajesh Mishra:** Our advertisement revenue, primarily used to come from Government advertising and Corporate advertising. As far as the Government advertising is concerned, as mentioned in my opening remarks, the Central government advertisement is continuing to be a challenge as the Central government seems to have reduced their advertising spend by a big margin. If we analyze our Corporate advertising revenue trend at present, it is almost going back to pre-pandemic levels.
- Avinash Gupta:** Absolutely, I saw that.
- Rajesh Mishra:** We are seeing Corporate advertising revenue catching up very quickly.
- Avinash Gupta:** So, was that the case last quarter as well because the advertisement revenue was practically at the pre-COVID level, right?
- Rajesh Mishra:** No
- Avinash Gupta:** It was almost same. I guess, the difference was like 3-4%.
- Ashish Malushte:** Can I give you some numbers here?
- Avinash Gupta:** Yes, Please.
- Ashish Malushte:** In Q1, the advertisement revenue started shaping well. We were about 78% of total pre-pandemic revenue for the nine months. This was when the movie business started to open up in spite of being the last industry to open up after COVID. But in Q2, we were hoping the build-up to be positive. Unfortunately, because of the Hindi content and the boycott calls, advertiser stayed away.
- Avinash Gupta:** What was the revenue number for the Corporate?

**Ashish Malushte:** Rs. 13.3 crore was the total advertisement revenue for Q2. Out of this Rs. 13.3 crore of Q2, the corporate advertisement revenue was Rs. 9.5 crore (Excluding trailer revenue). Now, this Rs. 9.5 crore moved up by 38% to Rs. 13.1 Crore this quarter. So, this jump over Q2 is encouraging, we are now around Pathaan release and feel good time, but Q3 was not all that good. The only movie which did reasonably well was Drishyam 2. Movies like Cirkus and RamSetu, could not perform as per the expectations. The challenge was, advertisers had already started spending on other medium and we were the last ones. When I say we, it does not mean only UFO but Digital Cinema Advertisers as a whole. So the challenge for Digital Cinema Advertising platforms was to get the allocation back, but advertisers needed conviction that audiences are turning up in the cinemas consistently.

Now, in the southern part of India, there is steady and consistent performance of movies and footfalls right from Pushpa i.e. ~last 13-14 months. However, in Hindi, it went up till April and dropped later in Q1 and Q2 and then it slightly picked up again in Q3 beginning and fell in December i.e. during Cirkus release. Therefore, unfortunately, though we are looking for a relatively continuous streak of success for Hindi movies the same did not happen in Q3. Once that happens, the advertisers will start allocating to this medium again. Then it might be like in some quarters, the allocation can be less or more. But currently, we all are trying to get the allocation back to our medium. We have to closely watch the content and its success, how periodically that success is repeating, and how it starts to convert into revenue growth. So, for us, the 38% growth in Q3 over Q2 is where we are drawing the comfort.

**Avinash Gupta:** Half of the next quarter is already gone, did you see any improvements in the Corporate advertisement in the 45 days of this quarter?

**Ashish Malushte:** Yes certainly, uptick is visible and it is directly linked to the success of the content in Hindi.

**Avinash Gupta:** Okay. Let's wait for another one quarter.

**Ashish Malushte:** Yes. We have to wait for few quarters.

**Avinash Gupta:** I'm representing Pragyesh Singh. I'm the one who manages his funds, we are holding since almost three years now and it's like the patience is running out a bit.

**Ashish Malushte:** Thank you so much for putting confidence in us and we are sure that slowly we are getting out of this COVID stress. We have demonstrated it on the Theatrical business front. We need to keep our fingers crossed till quarter end for advertisement revenue to pick up

**Avinash Gupta:** I guess in the coming quarter, there should be some visibility in terms of the revenue. As Pathaan is doing good, then possibly this quarter we'll see some upside. Thank you.

**Moderator:** Next question comes from Anand Venugopal from BMSPL. Please go ahead.

**Anand Venugopal:** Why is 26% of your shareholding pledged and why is the promoter holding so low?

**Ashish Malushte:** Apollo International has pledged its shares. They had provided initial funding to UFO. There is no other pledge by the founder promoter Mr. Gaikwad. As the founder promoter holding is concerned, as we know UFO was one of the initial start-ups moving into the IPO story in India. We started in 2005 in a capital-intensive business. What we are currently seeing, which happens in all the other start-ups, is that the promoter, in our case, Mr. Gaikwad, who came from a professional background, he had to dilute at the very beginning of the project, when investments were needed, and the profitability was far away. The dilution happened during the first and second rounds of fundraising. And it remained low, even at the IPO level. From there on, the founder promoter group did not sell or transfer. The dilution beyond IPO that you see is purely because of the fundraising during COVID. That resulted in the reduction of promoter holding percentage.

- Moderator:** Thank you. Next question comes from Vaibhav Badjaaya from HNI Investments. Please go ahead.
- Vaibhav Badjaaya:** I was looking at the presentation and if I compare nine-month advertising revenue with nine-month Pre-COVID numbers and particularly looking at Corporate and hyper-local revenue, which is still 50% below Pre-COVID. I was trying to understand the earlier discussion that has already reached closer to the Pre-COVID level. Maybe, I missed something and was hoping for some clarification.
- Ashish Malushte:** You're right, the recovery for the nine-month period for Corporate advertisement is 50%, and for the Government, recovery is low. But it will be better to see how this recovery looks compared to peers. If you see the largest multiplex chain's performance for nine months, the recovery stands at 65% and 38% for the quarter. It is the most reputed chain with a strong track record of advertisement revenue in the pre-COVID and post-COVID period. For the second largest multiplex chain, the recovery is at 64% for nine months and 35% for the quarter.
- And in our case, the recovery in total advertisement revenue for nine-months is 41% and 46% for the quarter. But our advertisement revenue from Corporate have recovered 50% for nine months pre-pandemic level against the 46% overall Q-o-Q growth. Now, if you compare it with major multiplex chains, they are also in the range of 60-65%. What is happening is, as an industry, we are facing a challenge of getting the allocation back without really reducing the price points significantly. So, it is not just the challenge at our Corporate advertisements end but also for others.
- Vaibhav Badjaaya:** I wanted clarification, if I was missing something because there is a long way to go for the recovery of Corporate and hyper local revenue, because it's still low.
- Ashish Malushte:** But it is just the matter of getting the sentiments back in our favour from the advertisers. Now there will be new allocation in the new calendar year. So, the job becomes relatively easier
- Vaibhav Badjaaya:** Okay. And for the Government advertising, I understand there has been a problem. But as an investor, if we can track how the government is allocating their advertising budgets between different media, it will probably give a better sense of where things are headed for us because currently, in-cinema allocation is low. So, I just wanted to understand if there is a way to check the same as an investor.
- Ashish Malushte:** Yes. So, you have a valid point. Unfortunately, no such information is available that can convincingly tell you how the allocation amongst different media is or will be. But at the same time, I guess there were some questions in the parliament, in which the Government had very clearly stipulated that they have curtailed the advertisement spending. You can access that information as it is available in the public domain where the allocation has been mentioned and compared with the last three years, including Pre-COVID.
- So that will give you a details of reduction in the allocation, which is quite massive. But the bifurcation of that shrunk allocation amongst the different medium may not be available publically. I think they have hinted at print and television. No other medium were mentioned.
- Vaibhav Badjaaya:** You have said that the Central Government spending is not yet back. Any hint from the revised budget that Central Government advertising may be back next year?
- Rajesh Mishra:** There is almost negligible advertising on the Central Government front. However, the good thing is that traction on the State level of advertising is positive and has been increasing. And from now on, we'll focus more on the State Government level.
- Ashish Malushte:** On the State Government front, in the pre-COVID period Q3 FY20, revenue was Rs. 4.7 crore from States and PSUs. There is a recovery to the tune of 82% as compared with quarter. And on a Q-o-Q basis, Rs. 2.4 crore last quarter has gone up to Rs. 3.9 crore this quarter. Currently, we are trying to fill this gap in the best possible way till the Central Government starts the allocation back.

So, it's a good challenge to have, as it provided us time to reinvent our whole sales strategy to navigate through this tough period, when half of our revenue were under stress.

- Moderator:** Thank you. Next question comes from Manan Patel from Airavat Capital. Please go ahead.
- Manan Patel:** Congratulations for better performance. It would be great if you can provide the numbers of screens that have been added or shutdown during the quarter, In order to understand the trend.
- Ashish Malushte:** It is important to understand this as Post-COVID, many screens closed down primarily because of inability to cope-up with the challenges. And as mentioned in our Q4 earnings call, these screens were from a lower revenue-generating strata (C or D category). During the same time, new screens were in the pipeline. Slowly the pipeline is releasing the newer screens. Now the encouraging part is that these multiplex screens are not only limited to premium multiplex players but also include local & regional entities who will ultimately tie up with service providers such as UFO Moviez.
- We do not update for every screen on LinkedIn but only for the key strategic or important ones. The gross addition in the Advertisement category is 92 against 164 de-installations this quarter, which would add up to the net reduction of 72 screens, as mentioned in the results. This decrease is due to the damage of the entire COVID period. Fortunately, we are reaching a stage where all clean-up is over as sufficient time has passed and movie content is steady now for both Hindi and regional, we took a critical look at the non-operational screens that are no longer active on our network.
- Manan Patel:** So from now on, the screen number might increase or stay stable rather than reduce, is that understanding correct?
- Ashish Malushte:** Your understanding is correct, except we need to keep a watch for one more quarter. Because last march when the screens were opening up, we had kept one year in mind for theatres to recover and open up. We are not expecting a significant drop any further.
- Manan Patel:** You didn't mention any update on NOVA Cinemaz in your commentary. How is the pilot coming up and can you please provide some views on how the inquiries are coming up for the same?
- Rajesh Mishra:** As we had mentioned earlier in our calls, this is an infrastructure business. We are working on the pilot and pivoting the pilot around with market feedback. We hope to have some screens up and running in the next couple of quarters, which would seed the market and set up the trend for our intended rollout. But as of now, Nova, particularly the EUC model that we have said, is still in the development phase.
- Manan Patel:** Has business model around that been finalized?
- Rajesh Mishra:** Yes, the business model has been finalized, and as a part of our strategy, we are engaging with village-level entrepreneurs and they have shown a lot of traction. As soon as some deals fructify, we will inform the market with detail about the possible opening up of screens.
- Manan Patel:** The next question is about advertising, while we say that Hindi movie content has not been doing well, if we look at the regional cinemas, they have done pretty well, which was not as big a trend before COVID. Pre-pandemic, the frequency of regional or southern cinemas was not as good as it is now. Doesn't that help us on the advertisement fronts, even though Hindi is not doing so well?
- Rajesh Mishra:** It does definitely, but earlier Hindi and South cinemas used to perform at a certain level. It's not that South cinema has started performing super phenomenally, because if you see the ratio of films that get released in the north is around 200 to 250 films in a year in the Hindi language as compared to around 900 films in south languages.

So, within those four major language markets, the ratio of hits continues to be the same. The only thing that happened when there was a gap between the content coming into the North Market, the South market started releasing films in the North market as it had opened up earlier.

Some South films like KGF 2 and Kantara were surprising hits, but this is a welcomed trend. From now on, when the overall pie of content increases with more acceptability of South language films and stars amongst the audiences in the north, will give a boost to our VPF, CDC and advertisement revenues.

**Manan Patel:** As you mentioned, we had raised Rs. 90 crore cash during COVID. How are we planning to deploy those funds going forward in organic or inorganic manner?

**Ashish Malushte:** Not at this stage, as we mentioned at the time of fund raising, these funds were more of a buffer if the industry were to go through one more round of COVID restrictions. At this stage, the focus is on getting the core business back on track. In future, if any opportunity arises, it will be communicated at the right time.

**Manan Patel:** Do you see any indications from government bodies about the improvement of the budget during the year or in coming quarters, given State and Central Government elections?

**Rajesh Mishra:** Our teams are in talks at various State levels, but there is nothing that we can communicate at this stage.

**Moderator:** Next question comes from Aditya Sen from Robo Capital. Please go ahead.

**Aditya Sen:** Do you expect any increase in the operating cost going forward?

**Ashish Malushte:** Yes. The operating direct cost going up is very healthy because as advertisement revenue grows, we have to incur 30-40% direct cost. But on the manpower cost, during COVID, there were significant salary cuts across the Company, which were reinstated last year in December with increments. Hence, you see the overall salary costs going up. However, we don't see it going up significantly further from here.

On the SG&A front, we managed to reduce expenses in some areas, which are more or less permanent. We have taken a cautious approach on cost optimization. Not that we want to hint at any significant savings, but we have been able to rationalize and reduce costs and maintain the lower level of SG&A cost all through the last three-quarters of operations, which is likely to continue.

**Aditya Sen:** Can you give us an idea about the Theatrical business collection?

**Ashish Malushte:** As per the numbers published by Big 4 reports, we were approximately Rs. 13,000-14,000 crore market Pre-COVID. In 2022, it was at least 60-70% lower than the Pre-COVID level because there were only four months of business. The report for this year will be released in March and will indicate the market scenario. If you ask me, our overall Box Office in the South would have surpassed pre-COVID. However, in North, we had a challenge with Hindi content, but from this quarter onwards, we should be closer to the pre-COVID levels.

**Moderator:** Next question comes from Santanu Chatterjee from Mount Infra Finance Private Limited.

**Santanu Chatterjee:** Our advertising revenue is not picking up and not going back to the pre-COVID level in a hurry. Is there any option for us to monetize our business in some other way or any other revenue stream that can help us to compensate for that revenue?

**Rajesh Mishra:** If you see Q3 FY22 and Q3 FY23, the Corporate Advertising revenue recovery is very healthy. The dip for us is the Central government advertising. And as far as additional revenues are concerned, we have rental, VPF, CDC, and advertising revenues. We are pretty much covering the gamut of it over here. Our focus is to build up the Government Advertisement revenues,

specifically the State Government and PSUs revenues and take the Corporate advertising revenue to a higher level as it is the low-hanging fruit.

**Ashish Malushte:** If you study our business model, we have always made sure not to take content risk. Because of that, we could demonstrate a steady streak of profitability year after year. Now if we plan to do any monetization, we have to necessarily opt for OTT distribution/exhibition or to go into the distribution big way by taking a higher content risk. All these areas are new to us. We are experts in the Digital Cinema business. So instead of getting defocused at this stage, where recovery seems to be starting in a meaningful way, we would remain focused on our core business.

**Santanu Chatterjee:** That's well appreciated. I know we are focused on return ratios and do not take unnecessary risk in our balance sheet.

**Moderator:** Next question comes from Krunal Shah from Enam Investments.

**Krunal Shah:** My question is on the film distribution business. What's the performance in terms of gross revenue and net revenue?

**Ashish Malushte:** Last year, we started the film distribution business with a focus on not taking a content risk and also to help low-budget movies to expand their monetization abilities. And in this process, we only charge our distribution net service fee. That has been the model on which we have been distributing films. The success of this business can be reviewed on the back of two parameters. One, we can attract content of this particular category regularly. In Q1 we distributed 12 movies, followed by 14 and 15 movies in Q2 and Q3, respectively. None of this movies have big star cast which requires minimum guarantee or financial commitment. If we are doing 14 to 15 movies a quarter on an average, we are already at 3% to 4% of total movies releases in India in a year.

The second parameter is, we make sure that no movies are making loss at an operating level.

Now, on the number front, these movies may not translate into attractive net revenue every time. In last quarter, we earned Rs. 1.9 crore of profitability at the net level. In Q1, we earned Rs. 1.4 crore, but in this quarter, we earned Rs. 20 lakh of net revenue. It is not just this profit that we are earning, there are other significant advantages like relationships with both the theatrical and producer becomes very strong due to direct connections with theatres, which helps to retain theatres in a meaningful way. And it supports other ancillary revenue streams of the Company.

Our CDC income goes up, as we start doing these movies. It also increases our reach. Now, when our reach is at this level, VPF and CDC revenue automatically sees an uptick, which is not factored in the Rs. 20 lakh margin for this quarter. In the same way, it also helps us to garner more trailer revenue in some cases. So, these are ancillary advantages on the revenue front. To answer your question, 15 movies made Rs. 20 lakh net revenue directly from distribution business, and the ancillary benefits would be in the range of another Rs. 40-50 lakh.

**Krunal Shah:** What would be the gross revenue?

**Ashish Malushte:** The accounting happens on a net revenue basis only.

**Krunal Shah:** Last quarter, I think you had reported the gross revenue.

**Ashish Malushte:** Yes. Last quarter, couple of movie contracts were structured such that we were required to recognize gross revenues. But now onwards, the contract structuring is on net level. In this quarter, there could be some revenue pertaining to the previous period movies, which is recognized at a gross level. But otherwise, we recognize revenue only at the net level and that is better because say with a Rs. 100 top line and just Rs. 2 margin doesn't make any sense for an analyst as it will distort the margin numbers.

- Krunal Shah:** Right. So, going forward, it would always be net revenue.
- Ashish Malushte:** So, it is contract specific. We are trying to now enter into contracts in a way where we are able to recognize the net revenue. In case, like the last two quarters, if some movies come up which requires gross accounting, only in those exceptions we have to do revenue recognition at gross level.
- Krunal Shah:** And from this net revenue, the cost will be hardly anything and most of it will flow to the bottom line, right?
- Ashish Malushte:** Yeah, there is no cost, except for few lower management staff cost. We are trying to use our existing manpower, which is deployed into Digital Cinema business, because the incremental work is not major and we had that leveraging opportunity. We are reasonably successful so far, and hopefully, we will remain successful in future as well.
- Krunal Shah:** Going forward, how many more movies can we do without taking content risk, because inherently this business involves content risk, that's what I understand?
- Rajesh Mishra:** It all depends upon what kind of films are we targeting. If there is a big budget film, they would be requiring MG commitment. But we need to understand that the content risk is a very big game, where larger players who are committing Rs. 300-400 crore per film or giving Rs. 20 crore MG is a big risk factor. So, consciously, we have stayed away from taking any content risk on the films.
- We are also building upon equity and goodwill in the market, our existing infrastructure, even the Head of Distribution business was earlier our Head of Operations, who we migrated to the Distribution business and our South head took the charge for the North business also. So, the idea here is to look at driving the Distribution business on the backbone of transparency rather than just handing out money, because films is a very volatile business.
- And getting into this game is not what we have kept in mind as of right now. Whenever a film releases, the CDC revenue comes to us, film does well, and it translates into advertisement revenue for us. Right now, our entire strategy is not to get into the content risk game, and that is the way we have been leading the entire business. The beauty of this will be that we have become almost the default distributors for the North market for the South language films. Smaller regional language films have also started to use our facilities. The step to move forward is to move towards a fixed-fee income distribution model wherein you keep leveraging your existing staff more and more.
- Moderator:** Last question for the day comes from Kaustav Bubna from BMSPL. Please go ahead.
- Kaustav Bubna:** On fundraising, when did you raise funds?
- Ashish Malushte:** It was in December last year.
- Kaustav Bubna:** What was the purpose for this fundraiser and why hasn't the cash been utilized yet?
- Ashish Malushte:** As I mentioned earlier in this call, at the time of the fundraising process we were in the middle of the second COVID wave. There was no certainty about when things will open up. And we were drying down our resources. By the time we were in the process of completing the fundraising, the business was opening up slowly. Therefore, we had gone ahead and raised funds as an emergency funding support to tide over any possible third wave.
- But fortunately, the third wave was short and the whole country bounced back in a month's time. There were no closures of cinemas, which was otherwise a soft target. The funds were raised as business like UFO, should not get into trouble merely because of COVID. However, we did not

need that funding support in our operations as there was no COVID driven further restrictions and therefore, you see those funds still lying as part of our gross cash.

**Kaustav Bubna:** How will you use it? Will you reward shareholders with it or will use it to pay off your debt?

**Ashish Malushte:** I am not sure if you were on the call earlier, but this question was asked and has already been answered adequately. I request you to check the transcript when it goes online in a couple of days.

**Moderator:** Thank you. Now, I hand over the floor to Mr. Tushar for closing comments.

**Tushar:** Thank you on behalf of Ventura Securities Ltd. we would like to thank the management of UFO Moviez and the participants. Good day.

**Moderator:** Thank you, Sir. Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

The transcript has been edited for language and grammar; it, however, may not be a verbatim representation of the call