



“Prime Focus Q4 FY11 Results Conference Call”

June 22, 2011,



MODERATORS **MR. NAMIT MALHOTRA – MANAGING DIRECTOR, PRIME FOCUS**
MR. NISHANT FADIA – CFO, PRIME FOCUS
MR. ANKIT KEDIA – ANALYST, CENTRUM BROKING PVT LTD.



*Prime Focus
June 22, 2011*

Moderator

Ladies and gentlemen good day and welcome to the Q4 FY11 Results Conference Call of Prime Focus hosted by Centrum Broking Private Limited. As a reminder all participants will be in the listen-only mode and there would be an opportunity for you to ask questions at the end of today's presentation. If you should need any assistance during this conference call please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankit Kedia from Centrum Broking, thank you and over to you sir.

Ankit Kedia

Thank you. Good morning everyone we at Centrum Broking are glad to organize the Prime Focus Q4 FY11 Conference Call. Today, we have Mr. Namit Malhotra, Managing Director of Prime Focus and Nishant Fadia, who is the CFO, over to you Nishant for some opening remarks.

Nishant Fadia

Good morning everyone, thanks for joining the call, straight up, you know just to clear one question which is there on lot of people's mind is why the revenue seems out of proportion to the previous quarters. This is because of Rs.40 crores adjustment to revenues where we had a pass-through income in our UK subsidiary where there was a 40 crores revenue and about 36 crores cost which was passing through the P&L. These are now being netted off as a result of an audit adjustment. So were these figures to be reinstated you would see normalized revenue of about 116 crores for the quarter and cost would go up by 36 crores. The difference of 4 crores has been parked in the other income which also will **sure 1:46** jump quarter- on-quarter. So I hope this sort of one, because I know this is on a lot of people's mind that way you will see our EBITDA also being normalized on a quarter-on-quarter basis. Overall the results are better than we have ever posted before. There is EBITDA margin jump from 26 to 33% and obviously profit has grown about 128%. It is late for Namit where he is, so I am going to immediately give it over to him for business and strategy.

Namit Malhotra

Good morning everybody surely as Nishant has said we obviously are very happy with the progress we made in the year as where we have seen substantial growth come through **where as 2:40** overall business and strategy. I think some of you who may have been with us on call especially and have been tracking up the developments, we clearly are today very well positioned in the international market as a brand and as a company now that is leading from the front in terms of 3-D conversion business. We have had a significant wins in terms of projects and our credibility of studios we have been working with some studios like Warner Bros., DreamWorks, Fox, Disney and even other studios like Relativity and Sony and we find that work over the last two or three years for which we have been **really same main 3:35** groundwork and foundation for the business to really jump start this process of being able to work between our two operating markets between the west and India, we have been able to demonstrate substantial scale of back in India as well in being able to build a business and



Prime Focus
June 22, 2011

transition its operation during the same year in very, very **successful days 4:0** and that obviously I think is **boarding** one with our overall strategy and we find that in the coming days we hopefully will continue to build on this track record and continue to strengthen our base in the visual effect business as well which by the way for some of you who may not be aware visual effect and the 3-D conversion business is run by the same department within the big studios like Warner, Fox, Sony and we have started already to have those conversation where we are making to **globally 4:40** integrate or offering to these potential customers and find much bigger than in the near term. We have also seen a very significant development in our business on new technology that we have completely built and developed out of India under the subsidiary of Prime Focus technologies where we have basically been able to find a very appropriate place with the Newscorp entities of Star TV in India where we are again one of the first companies in the world to take **some 5:20** entire network of that size and scale to client where we can actually start the process of completely managing broadcast operation and taking them on our digital platforms to be able to deliver content for these broadcasting from when it gets into post production all the way up to its digital distribution across new media and its international distribution in markets like US, UK and parts of South Africa. We obviously are able to use this cloud-based technology very, very successfully we have companies like Eros handed over their thousands of film archive to us, we will be able digitalize and make it available for all kinds and new media syndication and distribution. We have other very, very credible opportunity coming along in those areas that is basically leading the business not just in India but even internationally and generally as it is bringing **up in terms 6:30** where we are being appreciated by some of these studios and potential customers internationally has now, a company that plays a significant role in the creative service area which is CD conversion and visual effects and in the contents services **these areas which is using our cloud** technology for content management and content processing. Since putting it together are basically in line with our global vision of being able to run across into a global entertainment solicit company and being able to deliver great rewards upside for the future of all our shareholders and investors. I would like to open the floor for any questions.

Moderator

Sure sir, thank you very much. The first question is from Rahul Bhangadia from Lucky Securities, please go ahead.

Mitul Mehta

My question to you is that is this on a very sustainable basis because what we seemed to have done is our employee cost to sales and selling and admin cost have fallen significantly despite the fact that we have been able to grow our revenues by 10-12%.

Nishant Fadia

Again Mitul just to like I said in the beginning of the call that reduction is- when you are looking at a quarter on quarter reduction, you have to add actually 40 crores back between the quarters and that way you will get a more normalized number. There is not that much percentage drop but yes there is a clear directive within the company to reduce salary cost in



Prime Focus
June 22, 2011

the US as a part of the overall model as we are ramping up in India but certainly this quarter cost numbers are not to be benched marked as annual numbers.

Mitul Mehta

Okay my question is to Namit, we seemed to have made significant headway now on the 3-D side now I think the whole idea is to grab some orders on the VFX so what is progress or what is the status as of today, do you see visibility on that front?

Namit Malhotra

Yeah we just completed work on a movie called Scream 4 that was released recently that was contracted in Canada **edited 9:30** out of India not a very good number but what is very important for- you know we need to understand is that it is the process that works is that we have to build the confidence of our executional type one at a time and that is what we are doing quite consistently so we have Scream 4 out of Vancouver, we had X men and Transformers out of London coming to India, working together we drew these **two 10:0** projects together we can't really make the big win because that is what the studios are ultimately looking for they want to know that you have a pipeline that is actually working and integrated enough as they will get their deliveries and they are starting see that and the pitch from here on the visual effect end as well like it has been achieved in 3-D, we are now **doing vision 10:20** for that. We are obviously in the midst of setting up a brand new visual effect facility in London. It should be operationalized sometime in August we therefore anticipate that **first setting** up a new operation in the UK which is probably a very modern and latest standard. It will set tone for our visual effect business as a hub to be based out of London but India and Vancouver playing at satellite facilities to deliver these big movies so we are clearly going down that path and I think we continue to remain optimistic about how to play not only in this further going forward where we continue to win bigger projects on the back of some of the best talent that we have on the 3-D credibility that the company and the brand has already built.

Mitul Mehta

Yeah my question to Nishant, see as far as our balance sheet goes this year we added about 120 crores roughly to gross block and we have seen some rise in debtors so whatever cash flow that kind of got accrued to Prime Focus got eaten up by working capital and balance whatever fund raising we did in the current year went into gross block. Now how do we go from here in the sense that do we have some debt reduction program coming in the current year or over the next two years and as far as CapEx goes where are we today and how much do we propose to spent in the current and the year after that?

Nishant Fadia

See if you see on the standalone balance sheet. The debt has gone down by about 25 crores which is something we paid over the year and we continue to make to progressive repayments towards our principle. In terms of CapEx going forward we are building three facilities out this year which is the New York facility, the London facility and the facility in Mohali. So there



*Prime Focus
June 22, 2011*

will be a fair amount of CapEx this year. It will add either this year and that will continue throughout this year.

Mitul Mehta How much money are we going to spend?

Nishant Fadia Will be in the \$15-17 million region for the year on a consolidated basis.

Mitul Mehta And last year the money that we spent can you just give the breakup of this 100-124 that we have spent?

Nishant Fadia See out of that mainly 55 crores is gone towards the set up of the mainstream facility which is capitalized last year.

Mitul Mehta This mainstream is which one?

Nishant Fadia Is the Royal facility in Goregaon which you visited so that is the main block of CapEx which is coming that on a previous financial year and the rest is upgradation throughout various facility ramp up of the existing facilities in Bombay and also set up of the first phase of Chandigarh.

Mitul Mehta And can you take us through the debtors?

Nishant Fadia See debtors have shown a little bit of jump towards the end of the year, we actually build a lot of money on Star **World 13:45** which has come through in April and May so that is sort of a reason why on year end that is looking a little high but we expect that number to be in the 100-105 debtor days I am saying on a consolidate basis.

Mitul Mehta So that is about three-month plus?

Nishant Fadia Yeah any scope to further streamline

Mitul Mehta Of course really everybody, all the teams pressure on collection is utmost just now. Flow is very, very important for us. So pressure is on definitely.

Mitul Mehta And as far as goes FCCB goes when the redemption date?

Nishant Fadia It is on December 2012 about a year and half **of 14:35**.

Mitul Mehta And what would the total out flow if they were not to be converted into equity?

Nishant Fadia The principle outstanding is 55 million and the redemption value is 143% which is about 79 million.



*Prime Focus
June 22, 2011*

Mitul Mehta 79 million. Okay any further dilution in the year ahead.

Nishant Fadia Currently nothing on the cards.

Mitul Mehta Nothing on the cart. Thanks. Thank you so much.

Moderator Thank you. The next question is from Ketan Gandhi from Gandhi Securities please go ahead.

Ketan Gandhi Hi I just wanted to know the order backlog breakup wise how much is included to 3-D, much is in CLEAR, how much in VFX, if you can throw some light?

Nishant Fadia I think for FY12 even in the first quarter we comfortably in the 350 odd crores range in terms of order book which is steadily growing actually. I think at this point that is the current order book but I think it is growing every other month because we are showing a lot of traction now over in India some of the movies that want to go in 3-D and there is a lot **promises on the ground 16:0** over there.

Ketan Gandhi Sir can you give the breakup if possible, how much is in 2-D to 3-D and how much in CLEAR and how much in VFX?

Nishant Fadia Say close to about 250-260 crores in 2-D to 3-D and CLEAR would be about 30-35 and the rest of business I would say about 50-55 the general **cost 16:32** production business like what we operate **out of** London and all even if there is no confirmed order we just know that through historic reality there is a certain minimum revenue rate that we are earning as a baseline.

Ketan Gandhi Namit this is a question to you that there was a recent survey done in US that 3-D as a movie experience is losing some of its shine. It was survey done in US which was published and we had read it. So what your pick on it, your personal call 3-D is becoming a little less than the hype that was made earlier.

Namit Malhotra This is exactly what that we need to I hope you guys as analyst appreciate that **(Inaudible) 17:17** but reality on the ground is 3-D is a format that is here to stay hype that existed was that and if you read the research the way they present the information is that in movies like Avatar which is the first movie, there is 60% revenue coming from 3-D. Now in movies like Pirates and Kung Fu Panda revenue is down to **35-30%**. The point being that what nobody quantified and telling anybody on the number side if you take Pirates of the Caribbean and again US has been very skewed affecting the business where you see Pirates of the Caribbean under performing at the US box office generally speaking and being the highest grossing film from an opening weekend perspective on the global box office is that but US think that they are starting to see that the US box office which is a pointer towards what their business will be is



Prime Focus
June 22, 2011

becoming less relevant than today's time in the international box office is much bigger. So if you take a movie like, you know Pirates of the Caribbean which has been criticized for whatever has happened they got \$900 million worldwide box office 45% comes from 3-D, that is \$400 million approximately \$380 million we add, take a 38% premium as ticket price comes about \$110 million that is additional revenue that comes from 3-D which just cost them maybe \$10 or 15 million to do. So that is ridiculously fantastic upside for the cost of making a film in 3-D versus keeping it in 2-D and that has not been analyzed and that is why if you see even though one analyst over there printed it because we are talking from a consumer point of view, US consumer have been asked to pay \$4 a ticket more. The truth is nobody in the world is complaining there is no global consumer going in the 3-D movie in India or China or UK and complaining about the fact that they have pay further more for 3-D, you know people are **(Inaudible)** 19.32 in fact the box office is doing well. So the studios as you see are completely, they have not responded, they don't regard it the numbers speak to themselves. There is one guy called Richard Greenfield or some name like that which is name that has been out there who is critiquing every good thing that happen, as they all say there are phoenix everywhere in the west and they will always find a reason to disprove that thing but...

Ketan Gandhi

Namit that is exactly the question I asked you because you are into the business so okay Namit one more thing that regarding our Chandigarh facility what is the strength right now and how are you ramping it up?

Namit Malhotra

We are currently having close to about 800 people, I am not exactly sure of the headcount because the headcount has been growing quite consistently. Nishant I think you can confirm that.

Nishant Fadia

It is about 730 people.

Ketan Gandhi

Okay fine and just one more last thing. 3-D in broadcasting what is your view like when it would become a reality and how big an opportunity in that if at all?

Namit Malhotra

3-D in broadcasting is basically a production that is waiting to open. The doors are open, obviously because this is not just a one-off movie going experience this is why I said that 3-D is not ____ **20.59** for anybody to understand because let's say that ipad3 is going to be in 3-D by the way which is why I have glasses free.

Ketan Gandhi

Oh is it?

Namit Malhotra

Yeah you check it out ipad3 is touted to be 3-D as Apple has already filed a patent for. Technology wise we don't need glasses for viewing on 3-D iPad. Now add to that, the fact that this is for the first time that consumer can buy computers, mobile phone and television which



Prime Focus
June 22, 2011

are at ridiculously low prices compared to any other previous format or any other technology that came out like the first plasma TV was \$10,000, the HD TV came out at \$8000 or \$6000, a 3-D TV is at **\$15,000 21:40**. So the fact that the price of the technology is already so low that people are going get-, the adoption of that technology is going to be very easy and that is going fulfill the markets towards new formats.

Ketan Gandhi

But Namit in this thing how does it work, does the content provider shoot it in 3-D itself or they have to convert it 2-D to 3-D to broadcast it?

Namit Malhotra

Basically it is mix bag; I don't think it is shoot enough new content. They are going to have to re-run some of the content especially if you see most of the big network rely on movie channels and movies need to be re-mastered all the way back to 3-D and that there is no short-cut except converting them 2-D to 3-D because you can't create enough new content to keep 24/7 channel running. So you are going to have to resort to converted technology especially for movies and specialty programs and television programs from the past. They still do on new programming and 3-D from a timing perspective but the bulk of it has to still be converted.

Ketan Gandhi

I mean have we heard anything from any studio or anything or are we doing any pilot for anybody so far.

Namit Malhotra

See right now the pricing was not fitting well because currently the theaters are not been able to fully be able to fill their own demand curve right now prices actually have gone up in terms of the 3-D conversion **thoughts 23:15** and I think that is where we have to be a little more careful what happens unless a real bulk volume open up. It has opened up couple of broadcaster who speak in their minimum starting point numbers are like 500 hours and 1000 hours which you can do 300 movies because without that the broadcasting business does not make sense and that means you scale and move fast. So obviously in the evolving time I think it is certainly going to happen but broadcasting are really waiting for their being of certain amount of like TV set in people's home so that they can unlock those libraries and start **24:0** subscription from that.

Ketan Gandhi

Yeah, thanks Namit. I will be back if I have any questions.

Moderator

Thank you. The next question is from Chetan Gupta from Samena Capital, please go ahead.

Chetan Gupta

I have a question on the consolidated debt you mentioned the standalone debt would you run us through the consolidated debts please just to get a picture of the overall balance sheet and the cash on books etc right now.

Nishant Fadia

On a consolidated basis, basically the debt profile is in three parts. There is working capital debt of roughly about 100 crores. There is a property loan which is on the books for properties



Prime Focus
June 22, 2011

held in India and LA **deems 24:50** together attribute about 80 crores and the rest of the loan is about term debt which is about 65 crores. So that is the debt profile which we have.

Chetan Gupta

This is for the consolidated entity so these numbers include the debt on the standalone also.

Nishant Fadia

Yes, absolutely.

Chetan Gupta

And when you say working capital loan is that proportionately going to change as your revenues stream up because you spoke about revenues taking a jump on the base that you have created over the last 2-3 years. So do you see working capital bloating up and how do would you fund that going forward?

Nishant Fadia

I don't think we will see a bloating up at all. There is a very clear debtor cycle which exists in the business especially since most of the large chunk of the business is coming in now from the US and customers are based in the US where payments are pretty structured 60-90 days period is a well accepted norm so I don't foresee a very, very big jump in working capital it might increase marginally but definitely not in proportion to revenue.

Chetan Gupta

Okay and I don't know if you have a guidance given out but is there a guidance for the next let's say 2-3 years CAGR on top-line growth.

Nishant Fadia

No currently we don't give any guidance offer but ...

Chetan Gupta

Okay just a broad number understanding the business.

Nishant Fadia

We are tracking of very healthy growth.

Chetan Gupta

Sure, thank you very much.

Moderator

The next question is from Pankaj Chopra from Shanti Asset Management, please go ahead.

Pankaj Chopra

I didn't get the consolidated debt can you give that please what is the big number?

Nishant Fadia

It is about a 100 crores in working capital about 80 crores in property loan, main properties one is in Bombay and one is Los Angeles and there is about 60-65 crores of term debt which is basically related to equipment leases.

Pankaj Chopra

And we have FCCB over and above this.

Nishant Fadia

Yeah.



Prime Focus
June 22, 2011

Pankaj Chopra

My question was more to understand the Star TV which you talked about could you please elaborate on what this opportunity is and this seem to be new to me or did I miss something earlier?

Nishant Fadia

We did issue a press release but Namit can take you through that.

Namit Malhotra

This is basically what we did couple of years ago and we **silently 27:33** put together a core team development RM technology in Bangalore and pitted basically a cloud-based content management technology that is basically now being used to deploy for managing complete broadcast operation. Star TV was first real network to bite on our capabilities there and what we are basically doing is we set up almost a complete digital network to take the entire process of management content all the way from when the content which is being shot or being edited you know from the **cost 28:15** production of the content all the way up to take you through all the various **checks** and balance through QC checks adding commercials in the process getting marketing **on you know as** standard and processing team to check and approve things from a digital distribution new media preparation of content, subtitling of content, you know delivering content across the various international network syndicating programming making them available digitally to making up of digital archive where the content is sitting and restored for a futuristic reuse. We put this entire infrastructure and capability and added on top all the content processing fees on the cloud which basically gives them a very unique opportunity of probably being the frontrunner in entire space where we are now leading the way and being able manage the complex workflow because you can imagine what is happen say in today's world you know there is so many different distribution format under which the same piece of content is being sent to so many different markets and so many different screen and different kind of advertisers who all want to participate. We have cut the whole process of the analog it **being to a 29:45** complete file based on a digital workflow and that there is a huge transformation in the entire broadcast operations space saved a lot of automation errors, timing cost everything. So it's a fairly revolutionary approach towards what is effectively a very traditional way of managing the broadcast networks and Star TV has taken the lead and I think they are extremely satisfied with the results that we have been able to pull out in less than 3 months of our operations.

Pankaj Chopra

That sounds very good. How do you bill in revenues in this? Is it on approval?

Namit Malhotra

We have a just a 30:30 subscription based revenue. Today all content operation and all executive in Star will be provided our platform; it is like our **start** system basically for content. We are talking about having our own technology portal or a platform or webpage that operates like SAP which creates all security and content management around it and so there is a fee that is paid to us for the subscription of technology and then all downstream services are charged as per our rate card is pre agreed. So every time Star makes this content deliver it to X-Y-Z or encode it



*Prime Focus
June 22, 2011*

for a **(Inaudible) 31.14** or transcode it for a South African **payout** in a certain format, something is going on HD, something is traditional digital, something is going on the web. They are basically doing all content services for them and creating a complete digital network on which some of their content creating partners also can collaborate on. So **it's a very like I said** it's the acquisition of digital content through digital distribution archive. We have got pricing and everything setup which is a very interesting metrics.

Pankaj Chopra

You would largely have these broadcasters and the content creators, am I right in that?

Namit Malhotra

And advertisers.

Pankaj Chopra

And advertisers of course.

Namit Malhotra

So new process are all commercial for Unilever where Unilever users are exclusively for running out their entire library, we distribute all the ads across all the various networks basically with sort of emotional broadcasters. So it's a complete ecosystem that we are setting up right now that hopefully will be very far from the next year or two. Basically for anybody who runs any kind of content, CLEAR will be a very valuable tool.

Pankaj Chopra

What do you call this?

Namit Malhotra

It is called CLEAR. CLEAR is the name of our technology. Anybody with any kind of content whether it is advertising, broadcast, anybody who has content can use this.

Pankaj Chopra

Okay and who would be competition in this area as of now?

Namit Malhotra

Nobody.

Pankaj Chopra

No one. That is very interesting. Okay and how much of this 500 crore for this year would be coming from this, may be if you could give a sense of how do we see the earnings in terms of various buckets panning 2-D, 3-D, CLEAR may be and your VFX or if there is any other bucket?

Namit Malhotra

I don't know because if I were to explain the 500 crore breakup? Out of the 500 crore basically we have done on 2-D to 3-D we have done about 180 crores and that's about \$40-42 million. VFX is another about 80-90 crores. And rest is post production, in the 500 the CLEAR part of the business is very small part, it's only about 12 crores but in the next year we expect it to jump fairly significantly.

Pankaj Chopra

How scalable could it be? Could it become a 200-300 crore business?



Prime Focus
June 22, 2011

Namit Malhotra

Easily.

Pankaj Chopra

And I would imagine that it has huge operational leverage. I mean you would have a lot of it, because there is not too much variable cost associated with this business.

Namit Malhotra

No also if you think about it, you know what we do for Star TV in India is that we are able to show them cost saving in India being an Indian company. This is a cloud based technology, we apply this capability to other companies in the UK and the US and then you start to work out cost saving and it's a complete unbelievable stretch, potentially as the ability to be the biggest part of our business going into the future. So the transformational key is that we as a company have successfully demonstrated in being the first one out of the gate and that I think it is a very big step with Newscorp and I don't know, we had people like James Modoc and Chase Carry the number 2 guy in Newscorp comes to India and specifically seen demo and admitting clearly that we are ahead of the curve of what London or US are currently at. As you asked who the competitor is, the competitor is actually the internal historic legacy of maximum some of these broadcasters have made and they realizing quickly that they need to discard that and they really adopt this new way of working which actually is very powerful and new.

Pankaj Chopra

My last question. I sense that this would be a capital intensive business. You would need data centers of very large size and pipes as well. Is that a correct assessment or do we think that we are through with, we have made our investments. What kind of investments we have made?

Namit Malhotra

It's not going to be as extreme as you are saying in terms of capital expenditure. The biggest part of R&D on the technology has already been done. We have already bought bandwidth obviously because it is somewhat built into our cost model when we are servicing our broadcaster, if we are working for Star TV, we are going to have to subscribe to a huge amount of bandwidth and network anyways. So it's not like it's additional to the operating cost. It is built into the servicing cost of Star and the moment you have Star alright you have the ability to have other broadcasters benefit out of it and have marginal cost going up in that regard so the initial cost is....

Pankaj Chopra

Do you think the other broadcasters won't mind coming on network on this, they wouldn't have any issues on sharing?

Namit Malhotra

No not at all. Because we have the ability to carve it out specifically. So it looks like a SAP system for every broadcaster for their content. If one company has SAP, then everybody wants to SAP. Everybody wants the highest level of control they can get on their content. That is what where our libraries are worth today. All the content companies worldwide are sitting and only valuing the value of their libraries. They are making those libraries more powerful and friendlier in the digital age.



*Prime Focus
June 22, 2011*

Pankaj Chopra Yeah thank you very much and all the best.

Moderator Thank you. The next question is from Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani Wanted to know how is the competition shaping up in the 2-D-3-D business? I mean do we see any reckoning guys coming up and doing a lot of this business as well in the US or abroad?

Namit Malhotra I think our **core is to continue** to remain consistent. There was lagging 3-D and _____ **38.00** and they continue to be competition for us but we continue to scale above and beyond them. We have more capacity than both of them have put together (**Inaudible**) **38.16** all of them and I think that part of business climate has not really changed.

Mayur Gathani How is the order book shaping up for 2-D to 3-D sir?

Namit Malhotra As I said it is pretty good and it has (**Inaudible**) **38.33** already this year and growing.

Mayur Gathani And Chandigarh facility what is the maximum seating capacity we can have there. I mean currently we have around 700 hundred people sitting there.

Namit Malhotra 3000.

Mayur Gathani Okay and that's dedicated to 2-D-3-D?

Namit Malhotra Yes.

Mayur Gathani Okay, and Nishant about the top line 40 crores that you mentioned, can you just go through that once again please?

Nishant Fadia Yeah we had a working kind of **bouquet 39:35** where we would be outsourcing a certain part of work to freelancers. So the auditors felt that this is not really our revenue and **possible** we should just book the margin on it. So for the entire year, for revenue which was about 40 crores has been reversed from the revenue and the cost has been taken **on** from the cost and what our P&L has showing the margin. So if you can get a linear quarter-on-quarter numbers, **we want, we could add 39:50** 40 crores of revenue and 40 crores of cost and that way quarter-on-quarter numbers would you may see rationalize. Otherwise you can see a very small revenue number but the EBITDA would look very high. That result will **confuse**. So if you have a normalize quarter-on-quarter numbers, that's all you can do. These are only for one particular quarter because if you we had to reverse it for 12 months. Therefore next quarter onwards we should be back on steady state.

Mayur Gathani Basically we had 40 crores to the top line?



*Prime Focus
June 22, 2011*

Namit Malhotra Yeah. So there will be no any difference in margin. This is just a presentation.....

Mayur Gathani Okay and what is the employee addition that we are looking for this year?

Nishant Fadia Mainly will be in India as Namit said, we can seat up 2000-3000 people there. That is the additional ramp up which happened as soon as second chair of Chandigarh goes online.

Mayur Gathani Okay and when would that be?

Nishant Fadia That will obviously not in this month. It would be one particular point that we hired 2000 people. It would be throughout the year. I think by that of second quarter beginning of 4th quarter we should be fully up in Chandigarh.

Mayur Gathani So you mean to say we have 700 people right now.

Nishant Fadia Till the end of the year we will hire that differential people.

Mayur Gathani Okay fair enough. Thank you and good luck.

Moderator Thank you. The next question is from Sanjay Kaul from F&E Securities. Please go ahead.

Sanjay Kaul Have we done our valuation for our subsidies that you having in UK and US?

Namit Malhotra No. we haven't.

Sanjay Kaul At some point of time you are doing lot of business over there and the subsidies will become very valuable. Used as a tool for raising some money at some point of time.

Namit Malhotra In fact they I think will be more valuable in the parent right now that is my opinion.

Sanjay Kaul Market cap of Prime Focus will be \$50 million I am sure the valuation of the subsidiary is much more than this. Or you guys haven't looked into that as yet. Anything on the dividend part? When do we get our dividends?

Namit Malhotra I think we are still continuing to be on the growth track right now. Usually we don't speculate on that but obviously clearly we are very focused on continue to bring the business to a certain scale right now. Right now it is looking very encourages after the last 2 or 3 years of the global recession I think it's a very interesting time that we are really taking the opportunity of pushing that forward. That's where we are really focusing right now.

Sanjay Kaul Okay thanks. All the best.



Prime Focus
June 22, 2011

Moderator Thank you very much. The next question is from Hiren Dasani from Goldman Sachs. Please go ahead.

Hiren Dasani I just want to get the sense, Nishant earlier you mentioned that the remaining 4 crore which is the difference between 40 crore of revenue and 36 crore of cost, its parked in the other income line. Is this correct hearing? And why would that be in the other income line?

Namit Malhotra Because as we said that we are usually a service provider, we do a lot of backend process even **it should have been part of 43:45** trading revenue but we felt that because we are doing- little bit different nature to our regular activity. So should be classified separately.

Hiren Dasani What is this activity exactly? It is like you are taking some work from some television companies and then you are ...

Nishant Fadia It is like clip string in the UK and it is similar to what we do in **(Inaudible) 44.25** technology. So it's a....

Hiren Dasani Can you repeat and some little louder. I can't hear you.

Nishant Fadia Its quite clip string in the UK and this is what the job where what we a little bit of asset tagging which we **do in transfer of** technology that is what we do.

Hiren Dasani Okay and this 40 crore is the impact for the entire year or its?

Nishant Fadia For the entire year.

Hiren Dasani So in a way what you are saying is that this was a 10% EBITDA margin kind of business.

Namit Malhotra Correct.

Hiren Dasani Okay would it be possible to get geography wise revenue in EBITDA number for the full year?

Nishant Fadia Yeah we can get that to you. You want to take it from me offline or?

Hiren Dasani Okay maybe I will take it offline if that's okay. And the other thing is on the CapEx side, what's the CapEx which you have done in the FY11?

Nishant Fadia CapEx in FY11 was about \$22 to \$23 million **(Inaudible) 45.22** like earlier in the call we were discussing that had it been major addition is the mainframe Goregaon facility because that includes real estate so that is the big number of about 55 crores. In fact you can see the capital



Prime Focus
June 22, 2011

WIP has reduced the above 55 crore from the previous year into this year. That's what has happened into the....

Hiren Dasani

I am just saying that because if you look at the difference in net fixed assets which is the press release, its about 120 odd crores and then you write-back the depreciation for the year, so it looks like about 170 crore odd CapEx?

Nishant Fadia

No it will be 120 crore, that will be the gross.

Hiren Dasani

Yeah but I am saying that there is a 50 crore depreciation also in the difference of cumulative depreciation also would have gone up by 50 crores for the year. Other than this 20-23 million of CapEx was there anything on the intangible assets as well?

Nishant Fadia

We did that but that has already consolidated in PAT. There was purchase of intangible resources. That is already part of the balance sheet that has been moved from say **parent 46:30** sheet into our balance sheet. So in the consol it is basically not have any impact.

Hiren Dasani

Okay. Because the CapEx part has been somewhat of a disappointment and I don't know whether it was....

Nishant Fadia

We continue to build Hiren- big facility throughout the world. So last year we did see a fair amount of CapEx, they are in a position where we cannot, like for example actually building larger facilities than what we had earlier, we had only about **35,000 47:10** square feet earlier but we ran out on that place, so its not a question of we are just adding new centers for example in New York the lease got over, so you had to go and move in to a new facility. And when you are going to move into a new facility, considering the business outlook we have currently, we want to build a larger **space**. That requires some additional CapEx.

Hiren Dasani

Yeah but we raise the equity and still there is no reduction in the debt on the consolidated levels. So going forward if you are looking at \$15-17 million of CapEx, how do you plan to reduce the debt at all in the next 12-18 months?

Nishant Fadia

Whatever is aggressively possible we are doing, just now there is a delicate line between how do you fund the CapEx and what position to take on.

Hiren Dasani

So would it be fair to assume that the next year debt will be more or less equal?

Nishant Fadia

I don't think there will be any substantial deduction in debt next year. I mentioned also on the debt profile we had about 12 crores of working capital which is not being introduced as a permanent thing in your fund flow **cycle 80 crores** will be **(Inaudible) 48.41**.



*Prime Focus
June 22, 2011*

Hiren Dasani Okay and is your tax rate going to be more or less similar next year as well?

Nishant Fadia Tax rate might go up marginally because we will as you know **(Inaudible) 48.54**.

Hiren Dasani I think you are breaking up Nishant.

Nishant Fadia This year in India **STPI will be 49:0** available for that. There will be a little bit of impact although we will be covered by **MAT** for the first two quarter so there will be a minor impact towards the end of the year.

Hiren Dasani Okay and last thing is can you explain what is the extra ordinary item of about 7 crore is all about?

Nishant Fadia There was a one way subsidiary in the UK got liquidated which is basically pertaining to that. Last liquidation which we had to do and which is done and book it so we don't expect anything exceptional this year as we are going ahead.

Hiren Dasani Okay. Great thank you.

Moderator Thank you. The next question is from Somesh Shah from Value Quest. Please go ahead.

Samir Hi, this is Samir. 2 questions, one is on the capital employees can we have a break up between businesses?

Nishant Fadia I don't have that information in front of me right now. I can give it to you offline.

Samir Okay and 2nd in the **quest, there is a result 50:12** there are three new subsidiaries that we have created. So what would that be for?

Nishant Fadia See we have created one subsidiary in Mauritius which is basically to do some tax planning for UK and US subsidiaries and _____ **50.32** is a government subsidiary which will block the names in case we need them in the near future.

Samir Alright. Thanks sir.

Moderator Thank you. The next question is from Ashish Madani from Bajaj Allianz. Please go ahead.

Ashish Madani Sir just one question. Your order backlog again contains conversion from 2-D to 3-D obviously VFX for you is also a very strong part of your overall portfolio of products. Is US taking to your VFX technology and is the order backlog in VFX also improving there that is my question.



*Prime Focus
June 22, 2011*

Namit Malhotra

I think the fact they are clearly **matching 51:25** onto us and our concept to start with I think is most important because the concern whether the visual effect of 3-D has been the same. It's about getting creative work done from a market like India to the company that has never worked before internationally. I mean those questions as credibly as 3-D has answered them for us I think. Now the VFX as I said earlier, it is a matter of building a little more our own internal pipeline to prove that it started working but the acceptability is certainly very good right now between 2-D because they know some of their biggest movies are all coming to India anyway. So it doesn't quite make a difference to them and then they are also keen to see if we can bring them cost efficiency which is obviously inter-training the customer. So I think going forward, we continue to remain very optimistic about that. Certain key part of our business just like we have 2-D to 3-D conversion, but the build up of our facilities in London as I said earlier again that is going to be a real hub for our global international business, VFX business in fact is looking very promising right now.

Ashish Madani

Okay as you mentioned on London, has there been a growth from the London operations and what kind of margins are you making there and do we see it to be more or less a stagnant kind of a number or we expect a decent growth because in between if I remember correctly, you had also got some orders from one of the broadcasting channels, are we seeing some traction there as well?

Namit Malhotra

So London office is the **(Inaudible) 53.22** facility is being built, as we see it is not built up as yet. We believe that as soon as that gets build and capacity gets visible then we have some clear interest in moving that forward. We also find that at the back of building that we obviously have our Indian Operations that will integrate into that and provide a unified service for. We will soon come to a point that there will be a similar interaction of what's being done between the 2 sites where we are being able to gauge what came from London and what came from India and that is our ultimate goal. And that brings us to a margin expansion and the integration of that work flow makes you overall charge a higher rate for _____ **54.14** to a client, whereas it ends up costing you significantly lower and that's where we start to gain from. I think we are taking up the right steps to get to that point, and feel confident we will be able to get there soon.

Ashish Madani

What's the sense by when can we integrate this facility completely with our Indian operations? And may be what kind of margins could potentially throw up obviously assuming that....

Namit Malhotra

The way we are planning, this financial year we are not really doing any major admissions on margins in profitability growth from VFX, so going on that track with 3-D business, because 3-D is already working as a model. What we are trying to do is this is our build out here for visual effects could be the template for again on which basis, we know the following will be run for, this year is for building out London consolidating Vancouver and building out India on visual



*Prime Focus
June 22, 2011*

effects side and integrating them and follow it up with the next year which is going to be the real growth year for visual effects.

Ashish Madani

So coming to the Indian operations, on a stand alone entity, are we seeing CLEAR as a technology giving the next ____ **55.41** to the Indian standalone business or even the core standalone business is growing at a healthy rate close to around 15-20% just wanted your sense on it.

Namit Malhotra

As I said earlier CLEAR is a technology platform and downstream services are part of what **clients** generally has done and continued to do. So what CLEAR is doing is it is becoming a new funnel for the downstream services. So now you continue to have the same clients asking you to engage on some similar services but they are providing a technology platform as a solution that creates the skin at the front end of the client. So while if _____ **56.22** they hire something more that is managing the process with them. And that's where we find the CLEAR is a very interesting overlay over the core business to make it more closely connected with the client and build a stronger revenue base on go forward basis.

Ashish Madani

And the core business could continue to grow at 15-20% at least, just a ballpark number. Just trying to get a sense of how the business is doing.

Namit Malhotra

You will see no reason why that is not the case. Obviously the film business last year has been through quite a general drop in its ability for the Indian box office has been quite weak as some of the biggest films and some of the film makers really not clocking up the numbers. But I think films are coming back into action and we are seeing some big movies coming towards the visual effects and 3-D and I think that will spell a good growth curve for our Indian business as well.

Ashish Madani

Sir just coming to the __**57:30** business, any new orders that you have confirmed or got over the last 3 months, just trying to understand that.

Namit Malhotra

Yeah we certainly have a strong confidentiality thing non-disclosing, you can't really name it. We are bidding and quoting on jobs every day.

Ashish Madani

Thanks a lot sir. And all the best for the future.

Moderator

Thank you Mr. Madani. Ladies and Gentlemen we will take last 2 questions. The next question is from Nisha Harchekar from Way2Wealth. Please go ahead

Nisha Harchekar

One question how is the deal with UTV Motion Pictures panning out?

Namit Malhotra

I think we are clearly in the process of working on the slate of movies and as the movies are in production or as they are going into production we are obviously engaging with filmmakers and



*Prime Focus
June 22, 2011*

trying to get a head start from providing shooting services all the way throughout. I think it is all being built in the right **dimensions 58:45** and I think we are fairly confident that we will have good numbers of movies that they produce as part of our pipeline.

Nisha Harchekar

Okay and what's the BCCI deal for monetizing their cricket clips, etc. What is it all about?

Namit Malhotra

What we have done is we have built their basic digital backbone for them to monetize. That's not really monetization at our end. We are the service provider. We are not really in the monetization of content. That's not really our vocal point. We are on the course of our business which is primarily relating to correcting all our content, creating it and making it ready so that any content monetization opportunity that comes along in the digital phase. The BCCI is ready to benefit out of and that is where we are at.

Nisha Harchekar

Okay and what's the revenue opportunity for you in that case?

Namit Malhotra

For?

Nisha Harchekar

The BCCI, what's the revenue opportunity that you are seeing?

Namit Malhotra

I think, I don't know we have not disclosed the numbers. There is some non-disclosure there as well for explicitly sharing the numbers.

Nisha Harchekar

Yeah. Alright. Thank you.

Moderator

Thank you the next question is from Vaibhav Jain from Anmol Finpro. Please go ahead.

Vaibhav Finpro

My question is to Nishant. If I got it right, your contribution for CLEAR technology from FY11 was around 12 crores and you see a pie up of 200 to 300 crores from this particular business time. Can you give me some estimates for FY12-13 contribution from CLEAR segment alone?

Nishant Fadia

I would say-, Namit?

Namit Malhotra

I think I would answer that question. I think CLEAR potentially this year could at a 3 lakhs as a potential for revenue growth and as _____ **1.1.1** we have been conservative because we are not capturing what the International market will produce. **In 2012** it is going to produce 40 whereas our Indian current reality and we obviously believe that with the moment you have a same level of buyer you got today **have to be** in India the moment in UK, US have to buy and those numbers become much bigger and it continues to remain optimistic about what we will do to really take full advantage **with you 1:1:45**.



*Prime Focus
June 22, 2011*

Vaibhav Finpro So Namit, this 200-300 crore number, are you hopeful of reaching somewhere close to these over the next let's say 3-4 years? Is that fair estimate to start with?

Namit Malhotra Yes.

Vaibhav Finpro Okay and just the last question, can you give me the breakdown of you revenues from US, Europe and other, just a percentage contribution not anything major in detail.

Nishant Fadia On a very broad basis US is close to about \$55 million which is **about 40% 1:2:23** of our revenue. UK would be another 35% and India will be 30%.

Vaibhav Finpro and US?

Nishant Fadia US will be about 35-38% and India will be about a balance of 30-33%.

Vaibhav Finpro Okay any uncertainty in terms of business that you might sense given the global scenario. Does that impact?

Nishant Fadia I am not sure what you mean by global scenario.

Vaibhav Finpro I mean all the uncertainty going around in Europe and US possibly, does that somewhere impact your business or potentially?

Nishant Fadia On a very general basis I think whenever there's economic instability it will still get affected whether or not that business is directly affected or not, but nothing right now on the card, nothing specifically points to our business been affected adversely.

Vaibhav Finpro Alright thank you very much gentlemen. Have a great year ahead.

Moderator Ladies and gentlemen, that was the last question. I would now like to hand over the floor back to Mr. Ankit Kedia for closing comments.

Nishant Fadia Moderator just one thing. Everybody please go and see Green Lantern and Transformers and wait for our name on the credit.

Ankit Kedia I would just like to add Namit and Nishant to be on the call today with us. And I would like to now ask Namit to just give some closing remarks-.

Moderator Sure. Thank you very much. On behalf of Centrum Broking Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect.