



# “Prime Focus Limited Q1 FY17 Earnings Conference Call”

**August 12, 2016**



**MANAGEMENT:** **MR. NAMIT MALHOTRA – EXECUTIVE CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER**  
**MR. RAMKI SANKARANARAYANAN – MANAGING DIRECTOR OF PRIME FOCUS LIMITED AND FOUNDER & CEO OF PRIME FOCUS TECHNOLOGIES**  
**MR. VIKAS RATHEE – GROUP CHIEF FINANCIAL OFFICER**  
**MODERATOR:** **MS. NISHA KAKRAN – FOUR-S SERVICES**



*Prime Focus Limited*  
*August 12, 2016*

**Moderator:** Good morning, Ladies and Gentlemen. Welcome to Prime Focus Limited Q1 FY17 Earnings Conference Call. 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 an operator by pressing '\*' then '0' on your touchtone telephone. I would now like to hand the conference over to Ms. Nisha Kakran. Thank you and over to you, ma'am.

**Nisha Kakran:** Thank you. Good morning, everyone, and Welcome to the Q1 FY17 Earnings Call of Prime Focus Limited. We have from Prime Focus, Mr. Namit Malhotra – Executive Chairman and Group CEO, Mr. Ramki – Managing Director of Prime Focus Limited and Founder & CEO of Prime Focus Technologies and Mr. Vikas Rathee – Group CFO.

We will start the conference with opening remarks from the Management, after which we will open the floor for questions. I will now hand over the call to Namit for his opening remarks. Namit, over to you.

**Namit Malhotra:** Thank you, Nisha. Good morning, everyone, and a warm welcome. I would like to start the call today with remarks and update on our Creative Services business, following which Ramki will walk us through the Prime Focus Technologies business and Vikas will take us through our financial highlights of the quarter.

Two years ago, we decided to change. We believed that we are in the process of becoming what we wanted, targeting to become the world's largest media services player by remaining true to our core values of unmatched service quality with unparalleled cost structure. In each of our businesses, we have taken bold measures to spur growth, including a slew of strategic transactions, such as the Double Negative and the Gener8 mergers on the Creative Services side, DAX acquisition on the Tech and Tech enabled services side of our business and the merger of Prime Focus Limited and Reliance MediaWorks in the Film and Media Services business in India.

Two years later, it is more than heartening to see the benefits of change flowing-in, with Prime Focus positioned stronger than it has ever been. The integration is running smoothly, in fact, we are actually achieving targets ahead of our plan. This can be seen in the present quarter in which revenue has more than doubled compared to pre-transaction levels, in fact, this quarter we have reached a record high revenue level in the life of our Company. The higher revenues along with integration synergies and cost consolidation initiatives have enhanced margins and after strong and intense 10 quarters we have a PAT positive quarter this time. All three businesses are on go, having benefitted hugely from strategic and operational initiatives which is resulting in a significant rise in our order books and reduced seasonal volatility. We continue to be extremely upbeat about the rest of the year and easily see 15% to 20% growth with expanding margins.

Looking through in detail at the Creative Services business – DNeg and Gener8 mergers have lifted our game into the top tier level in Hollywood. We today have comfortably a significant share



*Prime Focus Limited*  
*August 12, 2016*

of the global Tier-I visual effects market and in 3D conversion we have more than 30% share within our addressable market across the world.

This quarter saw us deliver some of the most awaited Hollywood movies like Jason Bourne, Legend of Tarzan, Star Trek Beyond, Warcraft, X-Men Apocalypse, etc. to name a few. We also delivered cutting edge immersive multi-screen content for the Barco Escape format for Star Trek Beyond. We were not just the lead visual effects company on the movie; we have also done what is clearly one of the first in the world, to bring to the market place a new experience which continue to enthuse and excite audiences and build our technological leadership across the industry. Our order book is at its strongest at over \$200 million with movies like Chris Nolan's Dunkirk, The Mummy, Wonder Woman, Fast8, Inferno, Fantastic Beasts, A Cure for Wellness and Justice League, etc., among others.

As was planned, when we undertook the mergers, we are increasingly offering our bundled services and we are seeing that we are gaining considerable success on movies like Wonder Woman and the Justice League movie where we are looking at bundling our overall services.

Our traditional Indian business continues to do well; we have delivered blockbuster projects like Te3n, Udta Punjab, Houseful 3, Sarbjit, Baaghi, etc. Ongoing projects include films like Raees, M.S. Dhoni - The Untold Story, Kaabil, Force 2 and Flying Jatt among others. The business also has sustained high margins of over 45%, a testimony of leading quality player in the price competitive Bollywood market.

I would like to now request Ramki to brief us about Prime Focus Technologies. Thank you.

**Ramki Sankaranarayanan:** Thank you, Namit. Good morning, everyone. At PFT, we had another good quarter with support of the 70% plus annuity business that we have had and the project revenues have been steady on the back of demand in the mobile video consumption area. As you have seen number of new platforms that have been launched like Hotstar, Voot and HooQ and upcoming launch of a few platforms as well.

All the business metrics are being steady or directionally in the right place. Our international to India revenue mix has been at 66:34 that is the right space. Like I said, annuity is 72%, project revenues is 28% and also the product to services mix is at 55:45. Our endeavor, as stated before, is to grow our international revenues and DAX making progress, and it is led by strategy, by our media ERP software on the cloud. Our CLEAR the SaaS platform actually is continuing to gain strength with an increase in gaining clients in the overseas markets.

We continue to innovate in the products at two levels, one keeping up with the vision of building that one software for the enterprise like Oracle, SAP is for classical enterprise. Our vision of actually having CLEAR as the one software for the Media enterprise to manage content and all the activities around content. Second, we are also driving very specific innovations to much targeted



*Prime Focus Limited*  
*August 12, 2016*

point solutions within certain departments, like we launched the Promo Versioning for marketing departments, the Compliance Module for the legal department, are pretty focused on driving down media processing cost with our launch of Amazon AWS Optimizer. All these are actually helping traction and increase the number of conversations that we have with our clients.

In April this year we launched the DAX Production Cloud which is another one of a very significant launch in the milestone of the Company, where we are now offering the users of the DAX Platform a truly next generation product. This is going to offer a strategic leverage where we are now really, bringing in the benefit of that one software where dailies and post-production will be in one software, marketing and public department in the same software, and of course distribution for multi-platform delivery are same software. So I think that is quite significant in our strategy of actually now being able to cross-sell and up-sell to DAX customers towards the end of the year.

Riding on the back of the technology platform, on the cloud, our service product innovations are also, making progress. For the first time in India we actually launched dynamic ad insertion for live streams, this was during IPL season this year on Hotstar, which was very significant in terms of actually being able to personalize advertisements during live feeds or live shows or any exhibition that is live on the digital platforms. So that is interesting. We equally, continue to drive the digital and mobile first consumption for live events for IPL and the ongoing Olympics at Rio as well. Digital packaging and delivery, our go to market there is continuing to gain volume and PFT, possibly remains a leader of the world in high volume media processing and deliveries globally.

Our international revenue pipeline continues to remain strong and we are packing quite a few mix of certain large and small wins, especially in the technology area. We are also, on the back of this penetrating existing accounts while we are adding newer customers. What we do to our clients continue to, help drive efficiencies and enhance revenues; both are acutely relevant to our clients today.

Our order book continues to remain strong with over \$200 million on the back of what I spoke about, and we look forward to keeping up this momentum that we have had and continuing to pursue our strategy, something that we have been focused on, and something that continues to deliver us good results.

With this, I now hand over to Vikas who can talk about the financial performance.

**Vikas Rathee:**

Thank you, Ramki and thank you, Namit. What I want to just echo briefly after what Namit and Ramki have spoken about is, the business leadership that they have shown over the last couple of years, in a fairly, difficult environment not only from an economic and a global perspective but also in our industry, is showing results quarter-on-quarter. Now it has been almost six, seven quarters since the time of the merger that we actually embarked upon, were consummated and



*Prime Focus Limited*  
*August 12, 2016*

every quarter we have delivered better results on the operating side. This time around we come to a level where we have a PAT positive quarter, the EBITDA, the revenues frankly have more than doubled, and we have the best quarter ever with more than Rs. 500 crores of revenues. With EBITDA growing 24% quarter-on-quarter and about close to 20% year-on-year. What you have seen now is that, we are approaching or just about reaching our medium term EBITDA margin targets which I had mentioned on the earlier calls. At the end of the fiscal year ended March '16, we said we are going to be shooting for 20%, 20%+ EBITDA margin for fiscal 2017, so in the first quarter itself we are kind of there. So it gives us confidence to be able to do dramatically better going forward.

And all of this is fundamentally now happening on the back of not just revenue growth but also strong momentum on our integration efforts. The team is working well together across geographies, across time zones and delivering projects that frankly we never really had opportunity in the past to do. Movies like Interstellar or in the current case a Star Trek or a Jason Bourne, and the projects that Namit kind of rolled off, including the next series coming out of the Harry Potter franchise in the form of Fantastic Beasts and Where to Find Them. So, we are doing projects that are just way beyond what we had ever done before.

On the technology side, same thing, is it the Olympics coverage for Hotstar or is it putting CLEAR in more digital initiatives, I think it has just been a pretty phenomenal journey over the last couple of years.

On the numbers side, just to give you a sense, Rs. 500 crores plus of revenue, Rs. 5,262 million versus Rs. 5,182 last June, the Creative and Tech businesses now continue to contribute more than 92% of the consolidated revenue. Not to say that the India FMS business is not growing, that is growing as well and delivering very nice margins, it just that the growth in our Creative and tech businesses have just been spectacular over the last couple of years.

The EBITDA for the quarter again crossed Rs. 100 crores versus Rs. 86 crores earlier, the margin increase is close to 3% from a year ago. The profit before tax is positive and we have no real exceptional items this time. We have had a PBT loss for the year ago quarter of about Rs. 250 million. Again, as I mentioned earlier, we have a PAT positive quarter as opposed to a negative PAT of Rs. 454 million for the quarter ending June 2015. There is a gain that is coming in helping the numbers on overall perspective, as we had mentioned earlier, monetizing the stake that we had in illiquid subsidiary with Digital Domain, we swapped that into a stake at the Hong Kong listed parent company. There is a significant gain coming through that, which is helping the results on the PAT from a consolidated perspective.

Just to give you a little brief on the segments, Creative Services business is over Rs. 4,000 million, so basically about Rs. 403 crores versus Rs. 397 crores earlier and the margins continue to now go into the higher teens. So we have crossed about 16% - 17% on the EBITDA margin, the target of which is to get that business to 20+% going forward. Technology Services revenue were about Rs.



*Prime Focus Limited*  
*August 12, 2016*

84 crores compared to Rs. 70 crores in the same quarter previous year, the EBITDA margin is stable as well and we continue to invest in our international business. The India Domestic business had a good quarter as well, about Rs. 40 crores of revenue with about 46% EBITDA margins. This is like a cash cow, it is a small business compared to the others but continues to do really well and we are growing our dominance in the domestic India film and media services market across both films and television customer segments.

The debt as of June continues to be ~Rs.1,270 crores, which basically has been in that stable range for a few quarters now, it has come down from about two, three quarters ago. What you are seeing obviously is we are investing back in to the business to a certain extent. There are NCDs that fundamentally accrete on a non-cash basis, so what you see is as the growth is kicking in, we are more than funding our operations and you should start seeing a significantly decrease in the debt position over the next few quarters as we have guided in the past both from operating cash flow as well as monetization of non-core investments.

With this, I would like to end my comments here and hand back the floor to the operator to see if we have any questions and we can address them. Thank you.

**Moderator:** Thank you. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Salil Sharma, an Individual Investor. Please go ahead.

**Salil Sharma:** My query is regarding the sale of Digital Domain, we were supposed to get some share of listed company in Hong Kong and have we already gone ahead with the sale that got us this profit of Rs. 101 crores?

**Vikas Rathee:** Yes, Mr. Sharma, we have received the shares of the listed company in the swap for the illiquid stake that we had. If you remember, there was a two-step transaction in that, this is the first step of the transaction; there is also a small JV which is being setup in relation to virtual reality and advertising that will be for a consideration of about \$25 million worth of shares of the same listed entity. That is in process as of now; I think we will wait for the transaction also to happen before we evaluate options to liquidate the listed company shares to monetize into cash.

**Salil Sharma:** When can that happen, how long do you foresee it would take?

**Vikas Rathee:** Mr. Sharma, the second step of the transaction is actually fairly well advanced; we should be able to get that done during the course of this quarter. And in terms of monetization, we obviously are already looking at opportunities and options in relation to that and we will be able to hopefully get you some more color by the next quarter conference call.

**Salil Sharma:** And the approximate sale value would be?



*Prime Focus Limited*  
*August 12, 2016*

- Vikas Rathee:** See, it is a listed company shares, the consideration value between the stake sale as well as the JV was \$55 million, and obviously the share prices move up and down, our aim would be to maximize that value.
- Salil Sharma:** Are we done with the extraordinary items or is it still more left in relation to the integration with Double Negative at this point of time?
- Vikas Rathee:** Yes, as we have said in the past, we took the maximum amount of charges before the end of the fiscal year, the big chunk was in relation to the shutdown of the Singapore operations. So our integration stuff is largely behind us, some amount of integration efforts will continue but I do not think they would be in the nature or the quantum of expenses we have seen. As you would notice, there are no exceptional expenses in this quarter; there is extraordinary gain in relation to the shares we got of the listed company for Digital Domain.
- Salil Sharma:** But, as far as the salaries and the technical fees and all concerned, no extraordinary there also?
- Vikas Rathee:** Nothing, there is nothing at all.
- Salil Sharma:** We are done with the sale of that US office and the Singapore one and all integration is over.
- Vikas Rathee:** Yes, see the major part of what you need to do from a integration perspective, you want to try and do it as quickly as possible and we would have loved to have done Singapore sooner, but we were delayed in there because we had to deal with the government beyond just having a decision to be made on the operations. So we had to deal with the government which fundamentally delayed that decision by few quarters.
- Moderator:** Thank you. We have the next question from the line of Harsh Kundani from SBI Cap Securities. Please go ahead.
- Harsh Kundani:** Can you tell us about the partnership of PFT with Star for the Rio Olympics and what the opportunity is for us from this partnership.
- Ramki Sankaranarayanan:** So, this partnership with Star is a continuing one and what we do is all the live and on-demand experiences that you see on Hotstar for the Olympics is really a result of our association. So that is really what we focus on.
- Harsh Kundani:** Is this an India exclusive partnership or worldwide?
- Ramki Sankaranarayanan:** No, so this is applicable for where they have rights.
- Harsh Kundani:** Can you throw some more light on the new format, the Barco Escape Format?



*Prime Focus Limited*  
*August 12, 2016*

- Namit Malhotra:** Basically it is a format where they are looking at taking traditional screens which were basically multiplexes and adding more like a panoramic experience, going up with two more screen on left and on the right and that gives you almost a 270 degree viewing angle and experience to increase the scope of the impact that these big movies can have. It obviously involves lot of re-pooling from a technology standpoint vendor, images that frankly can play on this absolute widescreen format that is a first of its kind.
- Harsh Kundani:** Just one related question on Digital Domain, can you point out the effect it would have on our cash flow?
- Vikas Rathee:** When you sell that, it is going to be cash coming into the business and fundamentally we will use a big chunk of that for debt retirement. So, it is an investment that does not contribute to any revenue or EBITDA or anything in relation to our financials, it was an illiquid investment that we had inherited as part of the Reliance MediaWorks' transaction from two years ago. The teams have worked well to see how liquid value can get created from there. So it is a value unlocking transaction from our perspective and so that stake sale has zero impact on the operational P&L, we are not losing any revenue or EBITDA. But obviously on the cash flow side, as we monetize that, the cash is coming into the business which we will use primarily to a debt retirement.
- Harsh Kundani:** But our debt has remained stable quarter-on-quarter, right?
- Vikas Rathee:** Yes, it is stable that is right.
- Harsh Kundani:** In spite of the sale of stake?
- Vikas Rathee:** That has not been sold yet, as of now it is sitting as an investment, so it was illiquid investment, in exchange of that we got shares of a liquid publicly listed company. Now we own the stake and at the right time and at the right price we will look to monetize that.
- Moderator:** Thank you. We have the next question from the line of Apoorv Mehta from KSA Shares & Securities. Please go ahead.
- Apoorv Mehta:** Sir, wanted to know in Creative space how much we can ramp up from here? For last few quarters we were at Rs. 400 crores plus, what level we can go in that space?
- Namit Malhotra:** So, as we had always mentioned that post deals that we have gotten through, the focus of the Group and the management and the leadership has been in margin expansion more than revenue growth, although we have seen a reasonably high level of organic revenue growth. We continue to be more focused on margin expansion because we believe that there is significant benefit in leverage to come out of that. So while there is obviously more capacity that we can add and continue to build the business at fairly substantially level. We in the short-term, believe that taking the critical mass





*Prime Focus Limited*  
*August 12, 2016*

and size and scale of the business that we have is to limit our CAPEX spending to ensure that we have setup at an optimal level so that we can really drive significant cash generation.

**Apoorv Mehta:**

Sir, so what steps are we taking to rationalize things, any particular steps that can scale up the margins?

**Namit Malhotra:**

I mean, for the last 24 months we have talked about this in all our quarterly calls, we had gone ahead and build the revenue engine by building new facilities in Canada, we have looked at the closure of our non-core operations in different parts of the world to drive the overlap cost down. Frankly, a significant focus is in building our Indian base where we can continue to produce more and more quality work which is a direct driver of margin, and that is where frankly the larger focus of the entire leadership team is.

**Apoorv Mehta:**

So sir, if we today do a Rs. 100 work for an overseas client, how much do you source from India and how much you can source more from India, what is your goal today?

**Namit Malhotra:**

The goal is obviously, aspirational drive like the Apple model which is designed in California and assembled in China, we want to do the same thing. In the long-term we would like to make sure our design, high tech and R&D centers are in the west and production pipeline is in India. Depending on the complexity of the project we are actually anywhere from 15% of a project all the way to 80% to 85% of the project, being executed from India. That is our range depending on where we land on specific projects and what the creative scope of those look like. So it is a constant process of training and developing the quality of our talent in India and making sure that they can continue to provide world standard output as compared to any of our other artist pool and studios across the world can, so that we have a level of output that is consistent with our clients' expectations.

**Apoorv Mehta:**

And this \$200 million order book has to be completed in next nine months to one year?

**Namit Malhotra:**

It is not exactly nine months, films runs more on their own timelines, we obviously have to categorize the split of that into relevant quarters as we go through, but you can say most of it is exhausted in the current fiscal and then continues to expand into the next fiscal as well.

**Apoorv Mehta:**

Sir, how is the competitive edge now currently going on, what we are facing? Because now we are going for large projects, I suppose, so how do you feel that there is huge competition or margin pressure or you may opt for only projects which have good margins, are you in that way of thinking that you will opt only for the project which are having good margins?

**Namit Malhotra:**

This business model that we are in, the variables of margin here obviously are driven by the cost directly associated with that, and we are currently optimizing our cost base to, frankly, be more conducive for the work that is being offered to us, and that is frankly a big evaluation that we do project by project. We believe that the trend currently continues to be positive for the scope of



*Prime Focus Limited*  
*August 12, 2016*

high-end services with bigger and bigger movies we expect and we continue to drive greater efficiencies in that. So it is not about focusing on direct and gross margin, coming out of a project is really focusing on our global capacity, our global overhead and making sure that we are timing the take on of these projects in a way that it really drives underlying profitability more than this gross margin which is definitely an important indicator but not really the one that drives bottom-line comfortably.

**Apoorv Mehta:**

Sir, on the PFT side, can you throw some light how is the pipeline and what initiatives are we taking, now we are more focusing on overseas orders, how is the feeling that are we really getting new orders, are the customer's expectation going up or like that?

**Ramki Sankaranarayanan:** Like I said, we are pursuing a two pronged strategy, one is that we are actually developing more targeted solutions, specifically to departments within the enterprise. As I talked about, we just launched Promo Versioning as a module for the marketing and public departments, something that gained phenomenal amount of traction. We are already deploying it in a very large multinational and we have proved the concept in about four of the five large broadcast networks around the world. So what we are doing here is that the strategy that worked in India, for instance, is favorable to kind of get up the entire enterprise in one go, whereas in overseas markets we realized that we got to be more focused. Each Vice President or Director is on his own for the decision, he is still a silo, we want to cater to the silo first and gain entry. So if you look at what we have done over the last six to twelve months is sharpen our focus on, getting the smaller wins which is why over the last two to three quarters, we have more than 15 to 16 new clients that we have won, small ones but entry. So we got very good logos that we talked about like Epic, Miramax, accounts like that. So we have really targeted with very clear focus. The other thing that also happened is that we are also, cross selling more modules to existing customers. So naturally as we gain entry, we have one module working; we are able to sell the second and third module. That, is what our strategy for, if you will, a re-architecture strategy that we have been pursuing for the last 12 months for these international markets and I can tell you that it is working quite well. As this is working, now we have already two or three modules suddenly working for our clients. Now the client also sees, reasons as to, now take the software and put in around the entire enterprise. So very clearly, leading it with technology, technology that we have is hugely differentiated and the fact that you can go across the enterprise and, be that one software. Clearly what that means is it is able to enhance clients ability to work across and deal with the speed issues and agility issues they have in business, obviously it is able to reduce, instead of having five software's in the same thing now you have one software. So the cost of ownership is lower for our clients, so customers are slowly trying to see even. But, like I said, we remain very focused to gain entry into those accounts and get in with much targeted solutions which is what we have been doing. And likewise, as we do that, we are also able to sell services into those accounts. So, that really is a way we are pacing it out and obviously it is a result of the sales and marketing investments, renewed product strategy both coming into play and obviously, I would say that, this is an aggressive pursuit that we are doing and I feel comfortable with the effort and the progress we are making.



*Prime Focus Limited*  
*August 12, 2016*

- Apoorv Mehta:** Sir, the basic funda is to enter a client in a small way and then spread ourselves, isn't it?
- Ramki Sankaranarayanan:** Yes, that seems to be an inevitable part that we must adopt and we have adopted. And because we have the ability to innovate, we are able to make minor modifications and make it more targeted for that department and that is, what we are doing. So yes, what you said is right.
- Moderator:** Thank you. We have the next question from the line of Varun Khanna from Contango Capital. Please go ahead.
- Varun Khanna:** My question is, are there any studios in Hollywood or Bollywood which you are not currently working with but you would like to work with them?
- Namit Malhotra:** I think for the most part it is fair to say that we currently work with everybody across the board on both sides of the world, can I say that we would like to have more than what we get? Yes, which is part of our constant effort but I do not think, we are lacking access or, frankly, any connect with end-to-end customer base that exists on both sides.
- Varun Khanna:** And are you looking for any acquisitions for inorganic growth?
- Namit Malhotra:** No, not at this time.
- Varun Khanna:** And do you plan to in future?
- Namit Malhotra:** We cannot speculate on these matters..
- Vikas Rathee:** Varun, in terms of transactions that we fundamentally undertook about two years ago, it has helped us to get to, frankly, a Tier-I position across all our markets and have been focused on customer expansion, or focused on expansion of products.. So what you have seen over the last six, eight quarters is that we delivered on the promise of the transactions. We have worked on bringing the best of the west and the best of the east together and maximize the opportunity for revenue and margin growth. And that is, what we are focused on, delivering on organic operating margin growth going ahead, because as Namit mentioned earlier, revenue is not a challenge today, again, getting new projects is not a challenge today for us, frankly, we have turned away more revenue than, we used to have on Creative part of the business a couple of years ago. So, Namit is absolutely right, we focused on maximizing efficiency, and we have spent some good efforts towards expanding our operations.
- Moderator:** Thank you. We have the next question from the line of Daniel Jhaveri from JNJ Holdings. Please go ahead.



*Prime Focus Limited*  
*August 12, 2016*

- Daniel Jhaveri:** I had one question on the growth part of it, somehow it looks kind of muted, I think someone had come on TV and said that there is about 20% kind of growth that you all expect on the revenue, but if we see year-on-year there has not been much growth.
- Vikas Rathee:** When you say not much growth, is it from a revenue perspective?
- Daniel Jhaveri:** Correct, revenue.
- Vikas Rathee:** If you ask me revenue growth is also a function of how much you want to take on at any point in time that is what we have spoken about in the past is fundamentally adding capacity is a process in itself. Revenues, we have come to a level of about Rs. 1,900 crores - Rs. 2,000 crores, and over the course of the year what you will see is we will deliver 15% to 20% growth over the last fiscal year. It cannot happen in one quarter, you have seen that delivery on the EBITDA side. So one is adding projects and second is you make sure that you are adding revenue, which produces the margin and margin is not coming just because we are adding projects which have higher revenue yield, it is more the fact that we are becoming more efficient. We are involving lower cost bases in India and otherwise to actually execute the same projects and getting better at it. So, the revenue growth is not a challenge, we are turning away revenue. If you just wanted growth for growth sake on the top-line as well, that is not a problem. We are focused on growing revenue, but more than that, growing EBITDA, cash flows and PAT.
- Daniel Jhaveri:** But sir that said, why is then the personal cost higher by 20%? And do you see the employee cost going up 20% year-on-year, if you look at last year?
- Vikas Rathee:** Last year what you have seen, and what you are missing is that the personal cost also had an impact or reduction in relation to the fact that we were still integrating the operations. So there was also a situation, where we had some other cost fundamentally went towards, restructuring and stuff like that. So you saw a bit of an offset into the number on what you saw there versus what you are seeing now. Also there was outsourcing costs in the year ago quarter to execute on some the business and that work is now being executed in house.
- Daniel Jhaveri:** So, but this kind of a quarterly number is expected?
- Vikas Rathee:** I will tell you, and there is seasonality in the business to a certain extent. In the September quarter around the summer holidays, things do slowdown in the west to a certain extent. What you see is our personal cost and technicians, the numbers should be stable, it will move up and down to a certain extent. But what you see is that as a percentage of revenue this number should continue to trend down.
- Daniel Jhaveri:** Also, one question for Ramki is that in PFT this quarter the growth was about 19% - 20%, do you see that growth accelerating as you make inroads into these new clients that you all have signed up?



*Prime Focus Limited*  
*August 12, 2016*

**Ramki Sankaranarayanan:** Certainly Daniel, as we make these forays, getting access and entry into these logos will take time, but actually as we get a foothold we see a higher chance of us, cross selling and up selling. The growth from thereon should be, an easier path than actually gaining access to these accounts. The reality is that we have 85% of scripted television in Hollywood as managed platform, but with the launch of this new product, by the end of the year that 85% of scripted television will be on the newer products and the new products really have all the goodness of CLEAR with expanded features sets. So now we are able to, go and at that point sell into other department which is what I was talking about. And in fact, looking at the new product, all our DAX customers, at least 30% - 40% of DAX customers came up for renewal and all of them renewed looking at the new products and so on. So, there is an opportunity to keep up and deliver a better growth than we have had.

**Daniel Jhaveri:** Sir, what kind of growth do you expect on a year-on-year basis? So, I think this quarter was about 19% - 20%, what is that you are targeting?

**Ramki Sankaranarayanan:** See, last year we grew 33% and year-on-year between 2015-2016, we grew in that range. I think doing a 24% to 30% growth rate is doable in this business.

**Daniel Jhaveri:** Also, one more question. So in PFT what are the kind of ROCEs that you see? Since it gets hidden in whole Prime Focus, I do not quite understand. What is the return metrics of just PFT?

**Ramki Sankaranarayanan:** Vikas would be really able to talk about that, I have not computed for this quarter, do you have any top number?

**Vikas Rathee:** See, again, you want to hear the detailed specifics we can get on a separate conversation to have that. PFT from a return on equity and return on capital perspective is doing way north of 20%. So that has been the trend, it is actually improving every quarter and the improvement fundamentally is coming from, one, the EBITDA and the EBIT continues to improve. Secondly, the investment that we have fundamentally done is starting to sweat more from our perspective; we had to put a huge amount of investment upfront including the infrastructure on the datacenter and all that stuff that we put in, so that is sweating and our ROCs, ROEs are way north of 20% and increasing every quarter.

**Daniel Jhaveri:** Does that make utilization for the infrastructure that you all have maintained, is that like a metric that you all have internally?

**Ramki Sankaranarayanan:** Look, the good part about this is, given the fact that 70% of our business is annuity, so clearly there is an establishment that is in place to service that with no real excess outsized there. Because of annuity business mix that we have, generally our infrastructure is operated about north of 75% - 80%. There is some physical infrastructure, data center infrastructure physically that we would have some headroom which normally we would. But outside of that piece, the deployed sort of data center equipment obviously will operate about north of 75% - 80%.



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- Moderator:** Thank you. Ladies and Gentlemen, as there are no further questions, I would now like to hand the conference over to the management for their closing comments.
- Namit Malhotra:** Thank you all for participating in this conference. It has been a great quarter and hopefully the sign of times to come and we look forward to updating you all through the progress of the business and its performance through the next quarters. Thank you.
- Moderator:** Thank you, Members of the Management Team. Ladies and Gentlemen, on behalf of Prime Focus, that concludes this conference. Thank you for joining us and you may now disconnect your lines.