Date: February 19, 2016

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Fax: 022 – 2272 3121
BSE Scrip Code: 539141

To,
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051
Fax: 022 – 2659 8237 / 38
NSE Scrip Code: UFO

Dear Sir / Ma'am,

Sub: Transcript for the Earnings Conference Call held on February 03, 2016

Attached herewith Transcript for the Earnings Conference Call held on February 03, 2016.

Kindly take the same on your records.

Thanking you.

Yours truly,

For **UFO Moviez India Limited**

S. S. Chavan

Sameer Chavan
Company Secretary

Encl: a/a

UFO Moviez India Limited Q3&9MFY2016 Earnings Conference Call

February 03, 2016

ANALYST:	**MR. ANKUR PERIWAL - RESEARCH ANALYST**
MANAGEMENT:	**MR. SANJAY GAIKWAD - MANAGING DIRECTOR** **MR. KAPIL AGARWAL - JOINT MANAGING DIRECTOR** **MR. ASHISH MALUSHTE - CFO**

Moderator: Ladies and gentlemen, good day and welcome to the UFO Moviez India Limited Q3&9MFY2016 earnings conference call, hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then '0" on your touchtone phone. I now hand the conference over to Mr. Ankur Periwal from Axis Capital. Thank you and over to you Sir!

Ankur Periwal: Thank you. At the outset, I would like to thank all of you for dialing into UFO Moviez Q3&9MFY2016 earnings call. The call will be initiated with a brief management discussion on the quarterly performance followed by an interactive Q&A session. The management team is represented by Mr. Sanjay Gaikwad, Managing Director, Mr. Kapil Agarwal, Joint Managing Director and Mr. Ashish Malushte, Chief Financial Officer. Over to you Sir!

Sanjay Gaikwad: Thanks Ankur. Good day and welcome to our third quarter earnings call. As always, I will quickly take you through the financial and operating highlights for the quarter and then open the floor for discussion.

Looking at the quarter from a high level, we saw 17.0% Y-o-Y growth in total consolidated revenue at ₹1,452 million. The primary factor driving this growth was higher volumes-led sale of advertising inventory, higher E Cinema VPF and Sale of Products. EBITDA was higher by 2.5% at ₹449 million, which represents a 30.9% margin. PBT for the quarter stood at ₹238 million, higher by 15.7% and PAT stood at ₹160 million, 1.1% higher Y-o-Y. Consolidated performance was impacted by higher pre-operating cost of Caravan Talkies.

It is reassuring to see that our core business has performed well. Core business comprises of theatrical revenue and in cinema advertising. I will share the key financial highlights of our core business which is mentioned in the quarterly investor presentation. Core business EBITDA was higher by 8.7% Y-o-Y at ₹476 million, representing a 33.1% margin. Core PBT and PAT grew 33.5% and 24.2% respectively.

Let's start with the Theatrical business highlights, E Cinema VPF revenue grew 7.9% Y-o-Y in Q3. This growth is due to rate hiked in Hindi and Regional movies in Q1 and Q2 respectively. This was further aided by wider release of blockbuster movies during the quarter.

Operationally, the number of E Cinema as well as advertising screens increased over last quarter. As mentioned in our last earning call, we highlighted that the numbers of screens will go up and down in the next couple of quarters and this number will stabilize in the long run.

Advertisement revenues totaled ₹406 million during the quarter, an increase of 14.8% Y-o-Y. Corporate Advertisement revenues grew 33% compared to flat revenue growth from Government

Advertisements. As mentioned in the previous conference calls, Q3 is usually good in terms of Corporate Ad growth and Q4 in terms of Government Ads. Thus, we expect Government Ad revenues to improve along with the continued momentum from Corporate Ads in Q4FY16.

The year to date revenues stood at ₹1,112 million, contributing 26% of the consolidated revenues compared to 24% last year, higher by 28.4%. The volume of in-cinema advertising consumption on UFO's network has grown steadily. Advertisement minutes sold per screen per show during the quarter stood at 4.36 minutes compared to 3.97 minutes in the same period last year. Year to date advertisement minutes sold per screen per show stood at 3.97 minutes compared to 3.30 minutes in the corresponding period last year.

To continue scaling our advertising inventory, we have started focusing on retail adverting along with corporate and government advertising. We believe that the demand for retail adverting is extremely strong. As a result, we announced the soft launch of UFO Framez "A technology driven Retail Advertising offering" for Cinemas yesterday.

UFO Framez is a cloud-based advertising technology platform that will enable Direct Sales Associates to setup an advertising campaign instantly. These advertisements will be static Cinema slides that will be screened preshow and during the interval. Each advertisement will be featured for 10 to 15 seconds. UFO Framez will enable local level advertisers to target specific theater locations through Direct Sales Associates. We have opened signing up Direct Sales Associates instead of the customary feet on the street as it will enable us to go wider across all screens quickly while generating higher RoI with very low fixed cost.

Let's shift to our synergistic business Caravan Talkies. During the period ended December 31, 2015, we added 67 vans expanding our network through 91 districts across 6 states. Caravan revenues contributed ₹26.1 million in 9MFY16 to the overall advertisement revenue. This business continued to report planned EBITDA losses due to pre-operative expenses. We expect modest increase in operating losses in Q4. This business is expected to cash breakeven during the second half of fiscal 2017.

In conclusion, I would like to highlight that UFO's financial position has further strengthened. The Company's interest cost has reduced by 36.9% led by paring of debt. Our net debt as on December 31, 2015 stood at ₹186 million compared to ₹216 million as on September 30, 2015.

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

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

Abneesh Roy: Other Media Companies and Multiplex chains advertising growth has been really good in Q3FY16 especially due to the festive season. Your growth is much slower in Q3FY16 versus the 9MFY16 run rate. What has happened and how you are seeing Q4FY16?

Kapil Agarwal: Please understand that the entire revenue of large Multiplex chains comes from the Corporate sector. Our revenue is a mix of Corporate and Government, 55% advertising revenue came from Corporate and 45% came from the Government in Q3FY16. Q3 is quite strong on Corporate advertising and we see usually muted growth in the Government advertising revenue in Q3. While Q4 is pretty strong in Government advertising and the Corporate advertising revenue is also maintained in Q4. UFO's Corporate advertising revenues grew 33% in Q3FY16 as against ~28% of the large Multiplex chains. As Government advertising revenue has been flat, the blended growth was 15%. Going forward, we are expecting good growth in both Government as well as Corporate advertising revenue in Q4FY16.

Abneesh Roy: Are you seeing flattish Government advertising revenue growth across the states? Why should advertising revenues revive in Q4, because last year's Q4 should have been good for Government revenues?

Kapil Agarwal: I have been emphasizing in our previous calls that ours is an annual business and not really a quarterly business. If there is ₹1.5 or ₹2 crore plus / minus or gets deferred to the next quarter, growth is straight away affected. YTD growth in advertising revenue has been 28.4% while Q3FY16 growth is 15% Y-o-Y. Overall, we are still expected to deliver around 35% growth in the overall FY16 advertising revenue.

Abneesh Roy: What was Corporate advertising growth in H1FY16?

Ashish Malushte: H1FY16 Corporate advertisement revenue grew by 51%.

Abneesh Roy: Because of seasonality, as the festive season was delayed, you should have seen a step up. In H1FY16 Corporate advertising revenue grew by 51%. Why has that slowed down to 33%?

Sanjay Gaikwad: Because of the World Cup in Q4FY15, corporate revenues got pushed to Q1FY16 and that is why Q1FY16 growth was exceptionally high in Corporate advertising and that is the reason 51% growth in H1FY16 is not a comparable number.

Kapil Agarwal: That is why you have to look at this business on a Y-o-Y basis. Q1FY16 was very high because of the deferment of revenue from Q4FY15. These ups and downs occur, but normally over a period of four quarters it should neutralize and that is why we are looking at 35% growth for the full year. YTD advertising growth was 28.5%.

Abneesh Roy: I am seeing a heavy cricket calendar in Q4FY16. There is the T20 World Cup and a lot of India specific matches. The Indian team is also doing well and that can also attract advertisers. Is that a risk? Are you seeing slowdown in any specific State Government?

Kapil Agarwal: Our Government advertising revenue comes from dozens of departments of the Central Government. Starting with two States three years back, right now there are 15 States advertising with us and each State replicates the federal structure which means every State has multiple departments. Multiple departments of 15 different States are advertising with us and the advertising revenue from PSU's is also classified as Government advertising. It is a widespread base, there is no dependence on one or two departments. These are multiple clients scattered all over the country in multiple States. Generally, what we have seen is that the Governments have to consume their budget by March. So, we see very heavy spending every year in Q4.

We are aware that there is the T20 World Cup and Sri Lanka series, all those are coming up in Q1FY17. But, we are comparing Q4FY15 with Q4FY16 and there is growth. Q4FY16 Corporate advertising revenue may not grow as compared to Q3FY16, but we are expecting growth compared to Q4FY15 and we are expecting good growth in Government advertising revenue. As a result, we are expected to deliver 35% growth.

Abneesh Roy: We are expecting 35% growth for the full year and have delivered 28.4% in nine month. Can Q4FY16 be as high as 45% to 50%?

Kapil Agarwal: That is right.

Abneesh Roy: How has PSU, Central Government and State Government grown?

Kapil Agarwal: We are seeing acceleration in all three sectors. We are seeing good acceleration in Central Government. As far as State Governments are concerned, last year about 7 State Governments were advertising with us. As we speak, different departments of around 15 State Governments of different sizes are advertising with us. We are seeing good traction as we are adding more and more State Governments. Similarly, more PSUs are also advertising with us. We are seeing growth across PSU, Central Government and State Governments.

Abneesh Roy: We did see some weak movies versus expectation in Q3FY16. For example, Dilwale clearly was much weaker than expectation. How does that impact UFO in terms of advertising revenues because multiplexes seen hardly any growth in footfalls?

Kapil Agarwal: Advertising revenue is booked based on the perceived success of a movie and not really on the actual success of movie. While a multiplex chain has seen only 3% growth in footfalls, their advertising revenues have grown by 28%. A movie may not do well, but the advertising business will as it depends if it is perceived to be successful.

Moderator: The next question from the line of Rushabh Parekh from Sunidhi Capital.

Rushabh Parekh: What is driving this kind of growth in Sale of Product and what do you expect from this business in the future?

Kapil Agarwal: The Sale of Products is very uneven. I keep emphasizing that this is an annual business and not a quarterly business. For example, if a multiplex in a quarter buys equipment for 25 screens, that quarter will show very high growth, but it may not buy equipment for the next one or two quarters till those 25 screens equipment are actually consumed. In a year we will keep selling those equipments. This is how the Sale of equipment may vary quarter-on-quarter, but stabilizes in four quarters.

Rushabh Parekh: We have seen 68.8% growth in 9MFY16 which is very high, do you expect this kind of growth going forward?

Ashish Malushte: 9MFY16 growth is predominantly because we had significantly higher growth in Q2FY16 versus Q2FY15. There is growth in Q3FY16, but that growth on an absolute basis has come down.

Rushabh Parekh: What is the run rate that we should be looking at on a yearly basis?

Sanjay Gaikwad: It is a combination of new screens, which come up locally as well as internationally, and it is also a combination of lamp sale which is a consumable. While the consumable part is easily predictable, the new screen related sale is not in our hands. Growth depends on multiplexes in India and internationally and predicting that is difficult. Whereas consumables can be predicted. We will give the breakup of consumable versus equipment.

Ashish Malushte: Lamp to equipment ratio in 9MFY16 was 37: 63. This ratio was 55:45 in 9MFY15. The equipment sale is a 17% EBITDA margin business. The higher component of Sale of Products fetches lower margin which puts pressure on our overall margin and there is about 200 bps pressure in Q3FY16 out of the total reduction.

Kapil Agarwal: Service business is a higher margin business and product business is a lower margin business, but both ultimately contributed to the bottom-line.

Rushabh Parekh: We added about 20 screens over Q2FY16 internationally. What is the strategy in the international market?

Kapil Agarwal: New screens coming up in regions like Dubai get added up in the international screen count. We supply equipment and we are natural service provider to all of them. These new screens add to our equipment sale as well as our network for collection of VPF, supply of lamps, filters and consumable.

Rushabh Parekh: Have distributors stopped paying VPF internationally because the sunset clause is over?

Kapil Agarwal: The Hollywood VPF rollout period is over in India and internationally. Hollywood is not paying anymore VPF for newly added screens. The VPF which we get from these screens in the international market is very small. Indian movies and independent movies are only paying VPF, which is under 20% of the overall movie. While the revenue grows from these added screens, our share is very small which also puts pressure. Your revenue per screen is going down because of new screens. Their contribution is very small to the overall revenue. As a result, the revenue per screen is also going down in the international market.

Ashish Malushte: That is why quarterly revenue on a gross basis from the international market reduced as we added 58 screens which fetched us substantially lower VPF revenue which is non-Hollywood revenue.

Rushabh Parekh: Are you only providing sale of equipment or a small percentage of VPF sharing?

Kapil Agarwal: Sale of equipment and consumables, sharing a small percentage, servicing and AMCs. How so ever small revenue we get from these new screens, we never leave any chance to add to the bottom-line.

Rushabh Parekh: Are you just selling equipment to them?

Kapil Agarwal: The equipment are sold to them and they get added to our network.

Ashish Malushte: We were explaining the international business to everyone at the time of IPO. We were saying that this is where there is going to be a slowdown. Interestingly, the last nine months data is supporting that though the revenue from the installed base in March 2015 is going to go down eventually. The positive part is that there are new screens getting added and those will fetch lower revenue than the regular revenue, this is a positive aspect of the whole equation in the form of 58 new screens.

Rushabh Parekh: How is Caravan Talkies progressing?

Sanjay Gaikwad: We started with 24 vans. Originally we had a plan to operationalize 80 vans, but we went slightly aggressive and added 67 vans during the period. We have around 91 vans as on December 31, 2015 which are operational and number of vans as we speak is 114.

Rushabh Parekh: Are you seeing traction from advertisers, who are the advertisers and what kind of realization are we expecting?

Sanjay Gaikwad: Typically, we give two to three months of gestation for advertisers to take a look at the places, the routes before they start. The advertisers basically pilot. Currently a large FMCG player is doing a pilot on 17 vans in three States. So in the initial period, although we had these vans from October, the other statutory requirement like VAT registrations and RTO registration took longer than we had estimated. We feel that these vans will start paying April onwards.

Rushabh Parekh: How many advertisers are currently advertising?

Kapil Agarwal: About 10 to 20 advertisers are current advertising. Every time you add a van, you have to find new routes, we are now present in six States. We are now stabilizing the operation of 114 vans before we add more vans. So more routes have to be found, they have to localize, they have to get accustomed to the local condition, because they have to go to each village, you have to develop a rapport with the Gram Panchayat. We have to start promoting the fence in local villages in the local haats. We are in the process of stabilizing it and we are expecting to cash breakeven in H2FY17 in this business. Till then, we will be in investment mode.

Sanjay Gaikwad: We are getting a fantastic response from anchor advertisers who are actually supporting this initiative. Corporates like Coca-Cola, Marico, Hindustan Unilever, LIC, etc are already anchoring this business.

Rushabh Parekh: How do advertising minutes work and how much we are charging per minute?

Sanjay Gaikwad: The total number of minutes per show is approximately 1,500 seconds. Currently we are experiencing footfall of approximately 200 people which is substantially higher than any of the shows. Our rate over here is substantially higher than our cinema rate card, which is between ₹120 and ₹140 per 10 seconds. Typically, title sponsors get the entire van branding and about 40% to 50% of the inventory and the balance inventory is sold separately. Our current focus is to bring the title sponsors, so that 40% of the inventory is campaigned by the anchor advertiser.

Rushabh Parekh: What is the progress on the patent issue?

Kapil Agarwal: In principle, the agreement has been reached and the final paperwork is on wait, so we will be declaring it as soon as the final paperwork is done. The lawyers are talking to each other and already some draft has been exchanged. We will make an announcement whenever it is finally done.

Moderator: The next question from the line of Dheeresh Pathak from Goldman Sachs Securities.

Dheeresh Pathak: What is Caravan Talkies' advertising revenue?

Ashish Malushte: Caravan Talkies advertisement revenue is ₹1.3 crore in Q3FY16 and ₹1.3 crore in Q1FY16.

Kapil Agarwal: There was no revenue in Q2FY16 due to monsoon season.

Dheeresh Pathak: The capital deployed in this business would be the van cost right. How much is that per van?

Kapil Agarwal: It is around ₹15 lakh per van all-inclusive of capital cost, obviously there is an operating expense.

Dheeresh Pathak: How many slots do you need to sell on an operating cost of the van to breakeven in a year?

Sanjay Gaikwad: Around 40%.

Dheeresh Pathak: How many vans were operational for the full year? How many of those vans would be less than 40% utilized?

Kapil Agarwal: We are in the process of ramping up this business, adding vans, adding States, approaching the advertisers and stabilizing this business. We are anticipating that we will be stabilizing this business in Q4FY16 and H1FY17 and this business will cash breakeven in H2FY17. Right now, we are not looking at how much you are selling and not selling, that is not how you build the business. We cannot do the economics of that if we buy five vans, stabilize them, sell 40% and then go to the next pie. We have to look at the business on an overall basis, this is our investment for the future.

Sanjay Gaikwad: While anchor advertisers are going through pilots. Our focus is basically on stabilizing the programming like what content will work in which region, regional or Hindi content and basically which content will drive footfalls, because we have seen a wider response in the last couple of months in some places, were thousand plus people came for the show. In some cases, we found that the footfall were 70 to 80. That is where we have be in the next couple of month, our focus is route perfection, programming perfection based on region and once footfalls reach average levels of 150 to 200. Once we have stability of footfall, the focus while doing this is also on building up sales team for the advertisement, it is a parallel process. You will see significant traction in FY17. We expect cash breakeven on 100% of the van which we deploy in H2FY17.

Dheeresh Pathak: In your unit economics, you breakeven in which year as per your calculation?

Kapil Agarwal: H2FY17.

Dheeresh Pathak: You breakeven in one-and-a-half year? You get ₹15 lakhs of what you have invested, is that right?

Kapil Agarwal: That is not the right way of looking at it, there is a lot of operating expense.

Dheeresh Pathak: I meant money back after deducting expenses.

Ashish Malushte: Let us take consider a normalized scenario when the business is fully grown. You are expecting advertisement revenue of ₹35 lakhs, EBITDA margin would be ~50%. That would give us about ₹17 to 18 lakh of EBITDA. Against that your capital cost is about ₹14 to ₹15 lakhs, to that extent, your breakeven is less than a year. That is one way of looking at it - once the business stabilizes. We are explaining that we are in the process of putting up the business and at what stage it will reach cash breakeven.

Dheeresh Pathak: Annually, you get about ₹150 crore from D-Cinema VPF of which ₹62 crore is international and balance ₹86 is India. How much of this is paid by Hollywood studios and how much it is paid by Bollywood and other regional studios.

Ashish Malushte: Internationally, almost 85% of the revenue comes from 6 Hollywood studios. In India, the Hollywood studios contribute in the range of 15% to 20% of the revenue. In some of the top multiplex chains, you would find Hollywood contributing closed to 25% to 28%.

Moderator: The next question from the line of Kashyap Jhaveri from Capital72 Advisors.

Kashyap Jhaveri: Are our advertisers or advertisements materially different from what multiplexes show?

Kapil Agarwal: While the national advertisers like large FMCG players and others will advertise both on premium demographics and on our network. Please understand that our network consists of single screens and it also consists of a lot of multiplexes like the smaller multiplex chains, both in metros and non-metros. When we look at the mix of screens in India, there is a mix of multiplexes as well as single screen in the Top 50 cities and rest of the country. These advertisements are highly customizable. A large FMCG player will pick up certain screens for advertising premium soaps and very different screens for mass brand soaps. They can do targeted marketing, but at the same time, Airline will advertise in premium Multiplex chains and will not generally advertise on our screens. Overall, we have seen over 2,100 advertisers who are advertising on our network. Right from somebody advertising only on 10 screens and there are a lot of advertisers who are national advertisers.

Sanjay Gaikwad: There are different kinds of advertisers, UFO attracts advertisers which give a mass appeal and premium multiplexes attracts classes, the brand part is different but there are overlapping brands also which advertise in both demographics.

Kashyap Jhaveri: What is the difference between rates in multiplexes versus single screens?

Sanjay Gaikwad: UFO's rates are substantially lower. The total revenue divided by minutes will give you the rate, you can get that number for multiplexes and see the difference.

Kapil Agarwal: I can only tell you that the rate structure works very differently in case of multiplexes and in our case. In our case, we charge a network rate. We do not publicise it screen by screen because we have 3,700 screens and those 3,700 screens are at about 1,900 locations. It is not possible to carve out a rate per screen while you will get a rate card for 5 or 7 screen complexes. There is a rate for each complex and they vary depending on the location. It is very difficult to compare our rate with their rate because they have rates for each complex while we charge a network rate.

Kashyap Jhaveri: The number of screens is now stabilizing at about 4,900 to 5,000. Have you penetrated the whole market?

Kapil Agarwal: The country is now 100% digital, we have penetrated the entire market, India is pretty much between 9,000 to 9,500 screens, over 9,000 screens have been digitized and everything is done. The industry growth is about 4% to 5% at present which is coming mostly from the multiplex space.

Kashyap Jhaveri: What would be the payback period of a Caravan?

Ashish Malushte: On a standalone basis, every incremental van added would achieve breakeven in less than a year, when you are looking at this business at maturity.

Moderator: The next question from the line of Amit Kumar from the Investec.

Amit Kumar: On the Corporate advertising, which categories are driving 33% growth?

Kapil Agarwal: We have 2,100 advertisers and everybody is contributing. Government, State Government, PSU's and the entire Corporate sector is contributing. From an advertiser who is locally advertising only on 5 or 10 screens to a State level advertisers who is only advertising in Kerala like a jewelry brand to national brands. Growth is coming from everywhere. It is very difficult to say that growth is coming from a particular sector, because everybody is contributing.

Amit Kumar: On Caravan Talkies, which States are you targeting?

Kapil Agarwal: We are currently in six States – Maharashtra, Madhya Pradesh, Uttar Pradesh, Bihar, Rajasthan and Orissa. The idea is to go to Hindi markets right now because south is a completely different territory.

Sanjay Gaikwad: Screen penetration is also pretty high in South India. That is why we decided to keep Caravan's focus in non-south markets.

Kapil Agarwal: 55% of the screens of India are located in four southern States. Penetration is very high, that is why we are concentrating on non-south Hindi speaking markets.

Amit Kumar: E-Cinema VPF growth has been 7.9% Y-o-Y. If I look at the revision in VPF rates, Hindi took about 9% rate hike at the beginning of the year, but regional in the previous quarter took almost 25% rate hike. On a blended basis, growth is slightly on the lower side versus what you are expecting, does the VPF revision become an annual practice and how do you take that forward?

Ashish Malushte: We have taken a rate hike on regional movies towards the end of Q2FY16 and if you observe this on slide #18, on a YTD basis my E-Cinema gross revenue per screen has gone up by 7.8%, but on a quarterly basis the E-Cinema gross revenue per screen has gone up by 9.65%. This increase is partly attributable to the rate hike that we have taken in regional which has got full three months effect now. It has not given you the effect but it has given us an effect with respect to the quantum because regional contributes a smaller portion of the total number of shows played. It is a subset, but not a critical subset of the total number of shows played.

Kapil Agarwal: You are saying 8% hike that we have taken in the Hindi market. Overall, that is never 8%, the overall growth will be 3% or 4% because charges have increased 8% for the first and second week, but third week onwards you do not charge any VPF. Overall, the total number of shows which run do not have 8% impact on that, the initial shows keep varying. If a blockbuster comes and it runs for six weeks, you do not make any VPF third week onwards which comes at a cost.

Amit Kumar: On a quarter-on-quarter basis, you can have few blockbusters or few weaker films, we do not charge third week onwards, but on an annualized basis, you would expect this to average out a bit. Certainly it should be more than 8%, because regional has relatively smaller proportion in terms of shows in your circuit, but it is still about 40% of the shows, so the delta that you are expecting in the first six month versus third quarter, should be certainly a bit more than 2%?

Ashish Malushte: You have rightly said it is close to 40%, but that regional is the total number of shows which also includes South. The rate hike that we have taken does not include the South market. We have taken the rate hike in regional films which is non-Hindi and non-southern language movies. Those movies are not 40% but significantly lesser than 40%.

Amit Kumar: I was not aware that this rate hike was not applicable to the south market. Do you expect rate hike in the southern market at some point in time. How do these rate revisions play out going forward annually?

Kapil Agarwal: Our major business or the major future bottom lines are not going to come from the distributor revenue or VPF rate hikes. Future bottom-line will come from advertising revenues. There is a very delicately balance between rate hikes which we take on VPF versus the footfalls that we can expect. We will see when is the right time to increase the VPF which will not reduce the number of shows or the number of theaters in which the distributor is going to release the movie because we need more footfalls. We delicately balance it and accordingly take a decision from time-to-time to increase the rate. For example, last rate hike was in 2012. After 2012 we took the next hike only in 2015. We have taken a hike in regional movies after five or six years, we keep balancing it, it is very difficult to say when we will take the next rate hike, there is no pattern to it. We see how we have to maximize our topline and bottom-line and in that direction we keep taking decisions from time-to-time.

Sanjay Gaikwad: Although it is a management call traditionally, till the advertisement revenue kicked in, we have been increasing the rate very often, but once the advertisement kicked in 2012, we have been focusing on building the advertisement revenue that is at a very nascent stage and there is enough headroom for growth there. We are tackling that headroom first, although we have pricing power in the distributor market, we have very consciously been using that pricing power.

Moderator: The next question from the line of Sanjay Parekh from Reliance Capital Asset Management Co. Ltd.

Sanjay Parekh: Thank you and congrats on a good set of numbers in the tough environment. On volume growth, the number of screens have grown by 23% and the minutes per screen has gone up 20%, so effectively we have volume growth in nine-month. But, when we see Q3FY16, the number of screens has grown by 13% and the number of minutes per screen has gone up 10%. The pricing that we have is really attractive to the advertiser and can we use pricing power over a longer period of time to get the growth, because there are 300 people on an average in the screen which is 0.20 paisa per eyeball. The value proposition is too high, do you think that we need to use this pricing power. You said first we will use volume, once it goes to 6 or 7 minutes then we will take the pricing up. Can you take pricing up over next year and after that with the volume, because the value proposition to the advertiser is too high, if you can guide please?

Sanjay Gaikwad: We are very conscious and we have been discussing that we will use the pricing for growth after achieving 6 to 7 minutes of our advertisement utilization. We are first targeting volume without doing that. We want to bring more and more advertisers and when they get used to it then you start increasing the price, however, it is not that we are waiting for 6 and 7 minutes to happen. There is a new initiative which we announced yesterday, 'UFO Framez' - it is a cloud based technology driven advertisement platform. We have announced that and the pricing is substantially higher than our current rates and as my retail revenue start adding into my overall advertisement price, you will see the yield per minutes going up, while the volume addition by the retail would be smaller than the yield per minute and that is where you would start seeing the increase in the yield per minute when our retail advertisement which we expect to start kicking in from next year.

Sanjay Parekh: We have 2,100 advertising customers. Can you guide us on new customer that you are adding, existing customers who are already seeing the value proposition, Government and non-government, how each of them is doing. We see growth from existing customers and new customers. If you can give some view on how you see the number of customers growing and growth within the customer?

Sanjay Gaikwad: The way we monitor the stickiness of advertisers is basically by monitoring the top 20 advertisers. The existing Top 20 advertisers in 9MFY16 gave 95% of FY15's business. Spend of these customers are increasing and our focus is to keep increasing more spends by top customers.

Sanjay Parekh: Can you explain the model wherein you get advertising from retail advertisers?

Sanjay Gaikwad: We made an announcement yesterday in the press release regarding the soft launch of UFO Framez, which is the retail advertisement platform, it is a cloud based technology platform which is ready and we have already opened signing of DSA's. We will be signing DSA's during the next two months and we will start seeing retail advertisement revenue coming in through this platform in FY17.

Kapil Agarwal: Small revenue will start picking towards next year. We were planning to launch UFO Framez sometime next year but we accelerated the launch of this platform.

Sanjay Gaikwad: The launch of UFO Framez was originally scheduled for beginning of Q1FY17 which we preponed and launched yesterday.

Moderator: The next question from the line of Sayantan Bhowmick from Pine Bridge Investments.

Sayantan Bhowmick: The net debt has gone down by about ₹3 crore, could you comment on that and give the gross debt number as on December 31, 2015.

Ashish Malushte: The net debt has dropped from ₹21.65 crore as on September 30, 2015 to ₹18.55 crore as on December 31, 2015. Gross debt at a group level was ₹113.30 crore as on September 30, 2015 which has now come down to ₹107.97 crore. This includes the capex that has been incurred on Caravan, which is primarily funded through debt. That debt component has contributed to this ₹18 crore of net debt that you see, otherwise we are nearly at a net cash situation.

Sayantan Bhowmick: What was the Capex in Q3FY16 and what was planned for the year and what has been done YTD?

Ashish Malushte: The Capex guidance for the whole year was in the range of ₹60 odd crore and as on December 31, 2015 we would be in the range of ₹45 crore, this is in terms of the incurred capex, but the full year number would be broadly between ₹60 to ₹65 crore. This excludes the Caravan Capex and this is only maintenance Capex on the core business.

Sayantan Bhowmick: Caravan would be ₹15 lakhs into total number of vans?

Ashish Malushte: At about 85% of that.

Moderator: The next question from the line of Bijal Shah from IIFL.

Bijal Shah: On advertising revenue, can you give us some guidance for FY17?

Kapil Agarwal: We are expecting at least 35% growth over last year. We are looking at 29-30% Y-o-Y growth in FY17.

Bijal Shah: Does your rate change as per show and as per days, like Monday lower rate and Sunday higher rate or is it a flat rate or do you have a campaign model?

Kapil Agarwal: Typically, all rates on our in-cinema advertising platform are on a weekly basis, Friday to Thursday. Our rates are weekly rates. We do not distinguish between various days. If we sell an advertisement for Friday, Saturday and Sunday, then the rates will be much higher, but generally we do not do that. Our cinema advertising in multiplexes or single screens are sold on a weekly basis.

Bijal Shah: Does it mean that it is linked to movie releases?

Kapil Agarwal: There are all kinds of advertisers. There are advertisers who will give you an annual campaign or six months campaign irrespective of the movie they choose, they may choose the geography they want to advertise and they may want every movie. There are advertisers who will actually choose their campaign movie-by-movie. They may want to advertise on Star specific movies like Salman Khan, Shah Rukh Khan or Ranbir Kapoor movies. That is where we end up charging a premium. We charge high spot rates for those premium weeks. There are all kinds of advertisers, they are term advertisers, advertisers who will advertise for a month, six months, one year or campaign by campaign or only during the festive season, it is a mixed bag. All advertisement prices are different and advertise differently.

Moderator: The next question is from the line of Vikash Mantri from ICICI Securities.

Vikash Mantri: How should we track the per client adverting spend, the advertising spent per client is decreasing and decreasing substantially, should that be a trend going forward because retail is anyways going to spend less?

Kapil Agarwal: You have to look at it very differently, we have to bring a client to experiment with your medium even with 10 screens, he will advertise only on 10 screens. Subsequently, once he is satisfied, he will increase his spends and more and more clients will be added. One client may be advertising using the medium of ₹5 crore across the year or we have seen advertising by one single client of ₹6 to 7 crore and there will be clients who will only spend ₹50,000. It is very difficult to categorize or generalize or say what the average is. We will see how many minutes we are selling on an average and how many clients are added because a small client today is going to have higher spent in the future and that is how our revenue has been growing year-on-year. The number of advertisers have also grown from about 300 four year back to 2,100.

Vikash Mantri: Purchase of equipment, lamp and spares is up 13.6% in 9MFY16 and it is 11.5% in Q3FY16 and that is where you have seen significant increase in both 9M and Q3, what would be that trend going forward?

Kapil Agarwal: All lamps and equipment are imported and we are seeing consistent rupee depreciation.

Vikash Mantri: Are you getting paid more for it in return?

Ashish Malushte: In terms of the pricing of the lamps, you must have realized that we have positioned the business on the theatrical front, we are trying to and we have been providing as much support to generate additional value for stakeholders i.e. theaters and distributors and we are focusing more on advertisers. As a consequence of that, the lamp pricing normally is fixed in advance and we do not keep changing it on a regular basis depending upon movement of dollars though there is nothing that we cannot change, there is no contractual arrangement as such, but we do not really focus on that aspect in terms of having a steady state of returns from that lamp sale vertical. That is the reason why you would see some amount of pressure getting exerted on that particular vertical in terms of margin, in terms of equipment sale.

Vikash Mantri: The entire line item has seen an increase, it cannot be only because of rupee depreciation, I think spend of ₹21.7 crore has gone up to ₹40 crore in 9MFY16?

Ashish Malushte: On a nine month basis, there is an increase of close to ₹30 crore, but this is contributed significantly by Q2FY16. Q2FY16 had higher equipment sale revenue from the Middle East operation and if you compare Q2FY16 with Q3FY16 on an absolute basis the equipment sale revenue has come down. However, it is still higher as compare to the previous year. There is an increase primarily because of higher component of equipment sale in the international market, which is generally not predictable in nature.

Vikash Mantri: I agree it would be lumpy on a quarter-to-quarter basis and that is why I commented on the nine-month number. What should be the trend going forward and would it stabilize at 13% to 14% of our revenue or would it be higher?

Kapil Agarwal: It is extremely difficult to predict any trend because we do not know how many screens our clients will add in India and Internationally. This is purely dependent on what plans our clients have..

Ashish Malushte: The answer to the revenue margin part, if you look at my total revenues as total sale of services and sale of Products, we can broadly gauge that the trend there was positive. We have been explaining to all our investors at the time of the IPO that we are not expecting significant increase in international number of screens, but we were positively surprised when there was addition of 58 screens in these nine months. This is not predictable, we can broadly be able to guess in which direction the equipment sale is going because it has two components, one is the sale of spares and the other is sale of equipment. Sale of spares is predictable and sale of equipment sale is not predicable. Towards the end of the year, we will be able to guide you how the next year should do in terms of equipment sale.

Vikash Mantri: Are both segments contributing positively?

Ashish Malushte: All segments are contributing positively.

Kapil Agarwal: We were surprised as we were not anticipating sale of so many equipment this year.

Moderator: The next question from the line of Amit Kumar from Investec.

Amit Kumar: You have talked about reaching 300 vans in Caravans Talkies by FY17, I just wanted to confirm whether that guidance remains intact? Was Capex of about ₹60 crore including Caravan this year and what would you expect for FY17 and beyond?

Kapil Agarwal: Right now we have 114 vans and we have taken a decision not to add any vans in the current year. We will first stabilize the 114 vans operations, bring footfalls and advertisers. We have still not worked on the guidance for the next year, but my guess is that we will not be going to 300 vans, we will not be doing that Capex on 300 vans by end of FY17 and we will probably achieve 300 vans in FY18.

Amit Kumar: How much Capex is expected in FY17 and beyond from business excluding Caravan Talkies?

Kapil Agarwal: We are expecting ₹50 to 60 crore of Capex for the year which is towards replacement.

Moderator: Thank you. I now hand the conference over to Mr. Ankur Periwal for his closing comments.

Ankur Periwal: I would like to thank all of you for joining us today. I would like to thank the management UFO Moviez as well as for their precious time. Look forward and have a nice a day.

Sanjay Gaikwad: Thank you everybody.

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