

Date: November 08, 2017

To,
BSE Limited
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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 Conference Call held on November 02, 2017

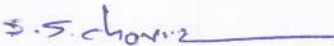
Attached herewith Transcript for the Conference Call held on November 02, 2017 to discuss Composite Scheme of Arrangement & Amalgamation between UFO Moviez India Ltd and Qube Cinema Technologies Pvt. Ltd. (formerly Real Image Media Technologies Private Limited).

Kindly take the same on your records.

Thanking you.

Yours truly,

For **UFO Moviez India Limited**



Sameer Chavan
Company Secretary

Encl: a/a



Conference Call to Discuss

Composite Scheme of Arrangement & Amalgamation between UFO Moviez India Ltd and Qube Cinema Technologies Pvt. Ltd. (formerly Real Image Media Technologies Private Limited)

November 02, 2017



MANAGEMENT:

SANJAY GAIKWAD – FOUNDER & MANAGING DIRECTOR - UFO MOVIEZ INDIA LIMITED

SENTHIL KUMAR – CO-FOUNDER, QUBE CINEMA TECHNOLOGIES PRIVATE LIMITED

KAPIL AGARWAL – JOINT MANAGING DIRECTOR, UFO MOVIEZ INDIA LIMITED

ARVIND RANGANATHAN – CHIEF EXECUTIVE OFFICER, QUBE CINEMA TECHNOLOGIES PRIVATE LIMITED

ASHISH MALUSHTTE – CHIEF FINANCIAL OFFICER, UFO MOVIEZ INDIA LIMITED

ANALYST:

ANKUR PERIWAL – AXIS CAPITAL LIMITED

Moderator: Good Day, Ladies and Gentlemen, and a Very Welcome to the UFO Moviez India Limited's Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. 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 “*” and then “0” on your touchtone phone.

I would like to hand the conference over to Mr. Ankur Periwal from Axis Capital. Thank you and over to you, sir!

Ankur Periwal: Thank you, Ali. I would like to thank all of you for dialing into today's conference call. The call will be initiated with brief management comments on the recent announcement followed by an interactive Q&A session.

We have with us Mr. Sanjay Gaikwad - Founder and Managing Director, UFO Moviez; Mr. Senthil Kumar - Co-Founder, Qube Cinema Technologies; Mr. Kapil Agarwal - Joint Managing Director, UFO Moviez; Mr. Arvind Ranganathan - CEO, Qube Cinema Technologies and Mr. Ashish Malushte - CFO, UFO Moviez.

Over to you Sir for initial remarks.

Sanjay Gaikwad: Thank You, Ankur, and thank you everyone for joining us on this Conference call at such a short notice. Last night we announced that UFO Moviez India Ltd and Qube Cinema Technologies Pvt. Ltd will be combining businesses. We have executed the definitive agreements subject only to regulatory formalities and approvals.

We are very excited to partner with Qube. Qube is a prominent player in the digital cinema and in-cinema advertising space in India. UFO and Qube are engaged in similar businesses. The combination of both Companies will unlock the hidden potential of both Companies considering the existing entertainment and advertising market dynamics in India, global markets and growth opportunities.

Both companies believe that the proposed merger and the combined entity will emerge as a more robust commercial and technology driven organization and lead to robust growth opportunities in India and globally, thus adding significant value to all the stakeholders.

While, UFO has developed an efficient satellite delivery mechanism for the transmission of content into non-DCI theatres using MPEG4 technology, Qube uses MPEG2 technology for non-DCI theatres and has also developed its own DCI compliant servers. The merged entity will thus have all the complementary technologies at its disposal. Going forward, it is expected that the combined entity will develop and deploy both DCI and non-DCI systems that incorporate the best features of the multiple technologies available to the company. Such a best-of-breed system will serve the interests of both the film industry with the highest levels of security, ease-of-use and reliability; and advertisers with centrally controlled ad scheduling that blends seamlessly with locally controlled movie selection and playback.

The combined platform will have a stronger position in India's in-cinema advertising industry. In-cinema advertising is one of the fastest growing media in the country today. Both UFO, with ~4000 advertising screens, and Qube, with ~3300 advertising screens, have been running large advertising networks. The two companies have a complementary network profile with Qube having a deeper penetration in South India and UFO having a similar presence in rest of India. By combining the two networks, the merged business will be able to offer a pan India in-cinema advertising network covering over 7,300 screens, significantly improving the overall value proposition for clients. The two companies also have complementary strengths in terms client base, presenting attractive cross-sell opportunities. This will lead to a one stop solution for an advertiser pan - India. We will be able to roll out of media plans faster with a higher integrated reach while ensuring maximum bang for the buck for advertisers. We will also be able to provide in-depth market surveys and researches will become viable for a common integrated platform.

As both Companies are engaged in the same business with similar revenue streams, expenses and processes, the proposed merger would bring about synergies of operations and benefits of scale by minimizing the duplication of administrative functions, combining some infrastructural requirements and unifying legal and regulatory compliances.

Qube has developed a self-service single-window content and digital rights management platform for movies called Qube Wire. This service is currently in the process of commercialization but is already in operation on a limited-scale serving select clients. UFO, in addition to its screen network in India, also has a network of screens overseas. The combined network, post-amalgamation, will allow faster monetization of Qube Wire and other IP based Qube products, both within India and internationally.

One of the key challenges for us in the advertisement business has been of 'measurement' and Qube's offering iCount solution will play an important role in addressing this issue.

This merger will also facilitate the exit of the private equity investors in Qube who have been invested for a number of years and provide an opportunity for the employees and shareholders of Qube to become part of a listed entity.

We believe that this combination of business will pave way for achieving our second inflection point to drive the Company's long term growth.

Finally, I would like to mention that both Companies are profitable. UFO's revenue stood at ₹598 crore in FY17 while Qube's revenue was ₹362 crore. The combined revenue of both entities is ₹960 crore. The Advertisement revenue of UFO stood at ₹179 crore and Qube stood at ₹108 crore in FY17. Together the Advertisement revenue was ₹287 crore during FY17.

The EBITDA of UFO was 185 crore and Qube was ₹80 crore in FY17 and UFO's PAT stood at ₹63 crore and Qube's PAT stood at ₹32 crore in FY17. Combining the EBITDA and Profits of both entities along with cost savings on account of synergies is expected to result in much higher profitability.

With this I will conclude by highlighting that with this merger the dawn of a new era in the in-cinema advertisement industry has now set in.

The floor is now open for your questions.

Moderator: The first question is from the line of Urmil Shah from IDBI Capital.

Urmil Shah: Can you share more details on iCount solution because it seems like an interesting product for our business?

Senthil Kumar: iCount solution is a clever way to use cameras inside an auditorium that are facing the audience and those camera images are captured at specific points in the movie and then read by a neural network so that there is no privacy concern as only a computer reads these images and counts the number of people in an auditorium. We believe that this functionality can be extended to find the gender of a person. And subsequently it may also be able to estimate the age of a person. Using iCount, we collect data and present it on an internal web based platform or as a data feed to interested agencies which could include metrics measurement agencies.

Urmil Shah: Can you provide more details on the revenue mix?

Kapil Agarwal: Qube had a total revenue of ₹362 crore in FY17 out of which ₹108 crore was advertisement revenue and rest was theatrical revenue from various revenue streams like rental, VPF and Sale of equipment.

Urmil Shah: Does Qube also have any impact of Sunset in D-Cinema like UFO?

Kapil Agarwal: Yes, Qube has a Sunset in December 2017.

Urmil Shah: Can you quantify the Sunset impact?

Senthil Kumar: The approximate revenue impact is ₹18 crore, EBITDA impact is ₹12 crore and PAT impact is ₹7 crore.

Moderator: The next question is from the line of Aditya Mathur from Citi Research.

Aditya Mathur: You spoke about regulatory and other approvals, what are these various approvals? And would you need approvals from the Competition Commission of India and do you see that as an issue? What is the expected timeline for this transaction?

Kapil Agarwal: Our combined revenues and assets are well below the threshold provided under the law and it is a very well-defined law and we have sufficient legal opinion. So, we do not have to notify CCI about this merger process.

As far as the regulatory process is concerned, we are in the process of submitting the composite scheme of arrangement and amalgamation to the stock exchanges followed by SEBI approvals and subsequently we will have to make NCLT applications before the relevant benches of the NCLT. Qube's operations are in Chennai, so they will have to apply for the same scheme at Chennai NCLT and we will have to apply at

Mumbai NCLT. When both the NCLTs approve it, then the amalgamation will be effective. It is very difficult to predict regulatory timelines, but lawyers have given us a timeframe of approximately eight months for the entire process to complete from the date of our broad meeting which was last night when we signed all the agreements. We have signed binding definitive agreements between the two companies and various other stakeholders in this process.

- Aditya Mathur:** Qube's revenue mix based on FY17 advertising percentage seems similar to UFO but the EBITDA margin percentage is in early 20's. Is there a difference in other revenues or is there a difference in the cost structures of the two companies?
- Ashish Malushte:** VPF revenues contribute about 36%. Sale of equipment revenue contributes about 20% and this Sale of equipment revenue as a proportion of total revenues is higher and as you know Sale of equipment revenue generates lower profit margins. That is one reason why there is a difference between Qube's margin and UFO's margin. Secondly, Qube's advertisement revenue because of various arrangements have higher revenue share commitments, and that is why the EBITDA margins of both companies differ.
- Aditya Mathur:** Has the VPF timing also impacted the historical EBITDA and therefore going forward, can this margin move up ex-synergy benefits?
- Arvind Ranganathan:** We do our business in a slightly different way. We have few business partners through whom we also run the network. Certain amount of profitability is recorded in our business partner's books. Revenues flow through us and then there is a revenue share payout.
- Aditya Mathur:** Is this like a franchise model?
- Arvind Ranganathan:** Yes, it is like a franchise model. The capital expenditure is borne by the partner and there is a revenue share arrangement with the partner depending on the degree of investment made. While the revenue lines are captured by us there is a share that is paid out and therefore the revenue to profitability ratio get skewed a little bit.
- Kapil Agarwal:** That is the reason we only spoke about the combined top-line and combined advertisement revenue, and refrained from giving the combined EBITDA and PAT because we may be following different accounting policies. UFO's PAT is ₹63 crore and Qube's is ₹32 crore. When we align our accounting policies, Rs. 32 crore may be higher or lower, we do not know. So we are refraining from giving combined figures and we will encourage markets not to assume these two figures.
- Arvind Ranganathan:** On the ecosystem of digital cinema along with our partners, Qube revenues and profitability is on the same benchmark as UFO, though you are seeing ~22.3% EBITDA margin. Secondly, because we have spent lesser capital, our return on equity would compare favorably or equally well with UFO.
- Moderator:** The next question is from the line of Amit Kumar from Investec.

- Amit Kumar:** What is the breakdown between South and non-South of these 3,300 screens?
- Kapil Agarwal:** ~2,200 screens are in the South and ~1,100 are in non-south India. That is what makes this combination very good because UFO's presence in South is much weaker than Qube's presence. Now we will have the entire all India network.
- Amit Kumar:** What is the advertising utilization per show for Qube for FY17?
- Kapil Agarwal:** The minutes per screen per show for Qube was 3.73 minutes and UFO was 4.34 minutes in FY17.
- Amit Kumar:** What is the Corporate and Government mix for Qube's advertisement revenues?
- Kapil Agarwal:** Qube's mix is very similar to UFO. In FY17, 48% was from Government and 52% was from Corporate. Qube has significant revenue from retail where we are not as strong. The combined entity gets this retail capability and post-merger we can push it on all the screens.
- Amit Kumar:** What is the net debt/cash of Qube?
- Ashish Malushte:** Qube's gross debt is ₹84 crore and net debt is around ₹60 crore as on mid-October.
- Moderator:** The next question is from the line of Vikash Mantri from ICICI Securities.
- Vikash Mantri:** Qube works on a relatively asset light business model and they also have physical delivery of movies to the screen, how does it work going forward? Also, do we adopt the asset-light model or we continue the UFO Moviez way?
- Sanjay Gaikwad:** UFO has MPEG4 based technology and that is why satellite delivery is possible where as Qube has MPEG2 based technology. With the combine network, we will have the opportunity to service 7,300 advertisement screens and including non-advertisement screens, we will be servicing close to 9,000 screens. Both teams will be working together and creating a much better solution where we will take advantage of satellite delivery. For DCI, this physical delivery network will be useful but overall, the best of the both technologies will be used and we will be coming up with a technology which will actually bring more operational efficiencies.
- Senthil Kumar:** The delivery network that Qube has will come in extremely useful because there are many DCI systems spread around. We still need the ability to delivery physically.
- Sanjay Gaikwad:** As the digitization of the screens is over, there is no further Capex other than towards new screens and the replacement Capex. Whenever an organized player adds a screen, we provide the equipment under an asset lite model under UFO. But whenever we have the media part of the business, to get the entire benefit by doing the investment.

- Kapil Agarwal:** Whenever we have advertising rights, we like to invest in the equipment in those cinemas because life of contracts in an asset light model is vulnerable because they can move out. Our entire concentration going forward is going to be on building the media and the advertising business and deliver higher top-line and bottom-line numbers. We will engage with Qube as we go along and find out the best business model. Our thought process currently is that, where we do not have advertising rights, we prefer that the theater owner / organized player invests in the equipment. In the fragmented screens, we like to invest in equipment to protect those contracts by having long-term contracts with them.
- Vikash Mantri:** Earlier you were susceptible to competition and therefore there was the need to invest in screens. Now that UFO and Qube are together, I do not see any reason for people to have an option to move out and therefore should we move to an asset lite model?
- Sanjay Gaikwad:** Globally in-cinema media is consolidated by one entity like in the US. It is a complete asset light model in the US and they have never invested in equipment. This is the first phase of the consolidation of the media industry in India and obviously going forward it will be more from the perspective of offering innovative technologies and not from the perspective of contractual obligations. That is a call we will take with Qube. But, having an asset light model is completely feasible.
- Kapil Agarwal:** Digitization is over, we are only doing Capex in new screens and towards replacement. All growth is coming in the organized sector i.e. multiplex chains who do their own Capex anyways. Our additional Capex is very minute. Whatever decision we take is not going to have a major impact on our finances given the fact that the combined entity will be now be earning net free cash flows.
- Vikash Mantri:** What is the annual Capex of UFO Moviez?
- Kapil Agarwal:** We have been estimating a Capex ₹50 crore to ₹75 crore per year at a UFO level. Now, we will be sitting down with Qube to work out those numbers for the combined entity.
- Arvind Ranganathan:** It is definitely possible from here on to look at an asset light model and focus our attention more on selling media to make sure that the returns are superior. We can lower the Capex going forward but while making sure that there is a better return.
- Sanjay Gaikwad:** Asset light model does not mean that the contracts are vulnerable because when you have 7,300 advertisement screens, the relative competitiveness comes into picture. Because somebody cannot take away 100 or 200 screens and start selling advertisement inventory as that is not viable for anybody.
- Kapil Agarwal:** The return on capital matters. Letting the theater do the Capex and sharing a substantial part of your revenue with the theater will have certain return on capital. And, if you are doing the Capex and retaining all the revenue and if the return on that is higher than I would rather do Capex and bring a greater bottom-line and greater return to shareholders then actually shying away from doing Capex. These are dynamic business decisions and giving one single answer on this is not possible. We will tackle it the way we have tackled it in the past. We tackle these issues on a day to day basis as business emerges.

- Vikash Mantri:** From an analyst point of view, we tend to value asset light business models differently and Capex heavy business model differently. I appreciate you will take the best decision.
- Moderator:** The next question is from the line of Srinath Krishnan from Sundaram Asset Management.
- Srinath Krishnan:** What is the share of national advertisers in the combined business?
- Ashish Malushte:** In FY17, Qube's Government advertisement revenues were 47%, 37% was Corporate and 15% was Hyperlocal. Corporate has both regional as well as national level advertisers.
- Srinath Krishnan:** In terms of synergies on the revenue side, how can synergies in the advertising space come through, as Qube is largely in the South and Corporates in the south will be different from the ones in the non-south regions, where would synergies come especially in advertising?
- Sanjay Gaikwad:** If you see the history of both the companies, Phase-I was driven by digitization on the technology revenue. Phase-II started in 2012 when we started building the media part of the business. Even Qube started building the media part of the business around that time. In the initial period, the growth of the media part of the business was significant. Internationally this media was consolidated so that advertisers do not have to talk to multiple player to create their media plans. And there was research and measurement and finally execution. UFO realized that these three parameters are required for the second inflection point. This merger is part of that bigger strategy which is consolidation. We become a single media when we approach corporate clients. We feel that growth can be accelerated because of consolidation. The moment we provide measurement and research to customers, our yield per minute will start growing. Because of the absence of measurement, our yield is completely depressed. That is another impact which you will see in the combine entity. Third was execution, most of the premium screens on the UFO network were actually dependent on DCI technology and that is where the execution of the media was creating a problem. With this merger, with access to Qube's DCI technology, this gets addressed. All three parameter for the second inflection point are addressed and we will see a much faster growth at the national level.
- UFO came out with UFO Framez which is a hyperlocal advertisement business which combined with some interesting product Qube has developed can accelerate the retail part of the business in addition to Qube's expertise of handling retail business physically. We get that expertise also. The minutes and yield per minute will grow more rapidly of the combine entity. This journey otherwise would have taken longer.
- Srinath Krishnan:** On the employee cost front, Qube's employee cost is 17-18% of sales and UFO's is about 13% of sales. Why does the business require such high level of employee expenses?
- Senthil Kumar:** In Qube's case, there is a considerable investment in developing products for the future which might not necessarily be reflected in the current revenues that might account for one portion of it.
- Moderator:** The next question is from Anirudh Jain from Inviquest Wealth Advisors.

- Anirudh Jain:** As per my understanding, you are purchasing shares in QCTPL for Rs. 117 crore and what is the rational for doing so?
- Kapil Agarwal:** The actual merger ratio for 100% of Qube and 100% of UFO when it is a combined entity, Qube shareholders are 36.4% and UFO shareholders will be 63.6% of the equity. We are buying certain external shareholders pre-merger. UFO as a corporate will be buying those shares and when the merger happens, UFO cannot hold its own share, so those shares will be cancelled.
- Anirudh Jain:** UFO is not buying any shares of QCTPL but buying Qube Digital shares, right?
- Kapil Agarwal:** Yes, that is right. UFO is buying shares of the entity which is merging with UFO. Those shares will be cancelled, post cancellation, Qube's shareholders stake from 36.4% will come down to 31.7%.
- Anirudh Jain:** Are we providing exit to some of the existing shareholders of Qube?
- Kapil Agarwal:** That is right. There are non-promoter PE investors in Qube, they hold approximately 55% equity of Qube and those investors are being bought by UFO and ICICI Venture. ICICI Venture post-merger will become a shareholder of UFO. Post-merger shares of Qube Digital held by UFO gets cancelled.
- Moderator:** The next question is from the line of Urmil Shah from IDBI Capital.
- Urmil Shah:** I wanted to get a sense on the management bandwidth and how should we look at the go-to-market especially because the southern market operations are quite different from other geographies. Should we expect the senior management to continue to operate in an integrated way? And, a question to Mr. Senthil - One of the concerns have been relatively low promoter stake in the Company. If we count your stake in the combined entity, then that concern actually goes away.
- Kapil Agarwal:** The expertise required to run this is very unique and the growth requirements are tremendous. We are also diversifying, we have been talking about expanding Framez, our retail business, NOVA Cinemas and Qube Wire which is a global business which is the expertise of Qube. We will meet a number of people not only to tackle new businesses but also to tackle our expansion plans. We will have the senior management of the two Companies, we do not want to lose that talent and we will use their expertise everywhere. Qube has tremendous expertise in handling the south market, they have tremendous expertise in retail advertising business in the South and they have tremendous expertise in the technology business. We will expand and take advantage of that expertise. UFO has 1,600 advertisement screens in South and Qube has 2,200 screen. Qube has 16% of advertisement revenue coming from retail and UFO does not have 3% retail also. Once Qube people start selling UFO's 1,600 screens in the South, it will bring a healthy bottom-line. Qube's non-retail average revenue per screen is ~Rs. 2,75,000, UFO's is ~Rs. 4,75,000 per screen. When our people start selling Qube's 3,300 advertisement screens along our expertise, theoretically the revenue per screen can increase by ~Rs. 2,00,000 across Qube's 3,300 screens, mathematically ₹66 crore can be added straight away in Corporate and Government and on the other hand Qube can add to our retail business. We are not letting anybody go, it is extremely important to retain top talent.

- Sanjay Gaikwad:** Although this merger will release a lot of resources because of the operational efficiencies. We have started a lot of synergetic new initiatives and all these resources will do more productive work which will start adding value into the combined entity.
- Urmil Shah:** Should we expect the combined stake of the promoters, both the promoters to be intact for a foreseeable future because that would remove the concerns of lower promoter holding.
- Kapil Agarwal:** The promoters of UFO will continue to be promoters of the combined entity and the promoters of Qube are not going to play the role of promoters of the combined entity.
- Senthil Kumar:** We as promoters of Qube intend to remain invested in UFO for the foreseeable future.
- Moderator:** The next question is from the line of Vipul Shah from Sumangal Investments.
- Vipul Shah:** Three years down the line, what type of improvement do you foresee due to this merger in your advertising revenue? What impact this merger will have on Caravan Talkies and NOVA Cinemaz?
- Kapil Agarwal:** I cannot make forward-looking statements. Qube's corporate revenue last year was ~Rs. 2,75,000 per screen and UFO's per screen revenue was ~Rs. 4,75,000, mathematically ₹66 crore on a last year basis can be added. Their retail advertisement revenue contribution is 16% i.e. Rs. 16 crore - ₹17 crore. UFO's hyperlocal revenue in FY17 was ₹1.2 crore. On a last year basis, Rs. 70 crore or ₹80 crore could be potentially added without taking any advantage of the synergy. Earlier when I used to go to a large telecom Company or a large FMCG Company to sell advertisement on my network, they would say no as they needed the entire network and we did not have access to all south screens. So the business used to split up and they used to negotiate at lower rates. Now we will be able to provide the entire network in any area of the country which they need. We will get a higher allocation of the advertiser's budget. We will be able to negotiate much better prices which we had to compromise in the past. I leave it to you to calculate all the synergy benefits and you have access to our quarterly numbers and you will start seeing the impact once the scheme of amalgamation hopefully in the next seven to eight months is approved.
- Sanjay Gaikwad:** We cannot quantify the actual benefit, but we know for sure that this merger will actually accelerate the growth of advertisement business. What you as a standalone Company would have achieved in five to six years, will be achieved in three years.
- Vipul Shah:** What type of impact will the merger have on NOVA Cinemaz and Caravan Talkies?
- Kapil Agarwal:** Caravan Talkies is already doing well. We did not have expertise in the South and we were hesitant to go to the South although we were getting a lot of offers for running Caravan Talkies from large companies in the South. We were also facing challenges of getting the content for Caravan Talkies in the South. We expect that the combined business will get tremendous help in understanding the south market from Qube.

In NOVA Cinemaz, we will be combining strengths. Almost 9,000 screens of the country will be working on our combined network in terms of technology and approximately 7,300 screens in terms of advertising. So obviously, NOVA Cinemaz will be accelerated.

Moderator: The next question is from the line of Sanjay Chawla from JM Financial.

Sanjay Chawla: You made a comments that it does not require or to come to the attention of CCI. Is there any chance of CCI looking into this transaction due to some challenge from customers? Is there any break-up fee involved in this transaction?

Kapil Agarwal: We have taken the opinion from the best legal brains in the country and we have been advised that the possibility of that is negative.

We have not got into this transaction to break-up, a legal process is pending, we are not thinking in terms of a break-up or paying a break-up fees. There is no break-up fee provision. We have signed definitive and legally binding agreements with each other last night.

Sanjay Chawla: How many cities are Qube's advertisement screens operational and how many of those cities are overlapping with UFO? How many advertising clients does Qube have and how many of them are overlapping with UFO?

Kapil Agarwal: We are present in over 1,400 cities and towns and Qube is also present in almost an equal number of cities and towns. I am guessing, together our presence should be in approximately 1,900 cities and towns.

Sanjay Chawla: And number of ad clients?

Arvind Ranganathan: We would both have advertising screens in almost all the cities and towns, there could be quite a bit of overlap. Similarly, there could be quite a bit of overlap even among customer segment. In terms of unique number of customers, Qube has about 4,000 customers including retail.

Kapil Agarwal: And UFO has approximately 3,000 customers. Qube has 4,000 customers because 16% of their revenue is coming from retail customers and that is where the revenue per customer is less but the number of customers is higher.

Qube has 4,000 customers and UFO has 3,000. If there are 2,000 retail customer, so straight away, we can assume 3,000 clients plus 2,000 retail clients. Together we will have at least 5,000 unique customers assuming that all our corporate customers are common.

Sanjay Chawla: How many multiplex screens does Qube have ad rights on?

Arvind Ranganathan: We have advertisement rights on Wave, Miraj, SRS, etc, each of them would have roughly 50 screens. Qube has advertisement rights on 1,197 multiplex screens and UFO has ad rights on 1,068 multiplex screens. Together UFO and Qube will have advertisement rights on 2,265 multiplex screens.

- Kapil Agarwal:** Except the top three multiplex chains, we have advertisement right in all chains between two of us now. Together, we will have more premium screens and multiplex screens than the top three chains combined.
- Sanjay Chawla:** On the advertisement business, you mentioned that revenue sharing in Qube is higher and contributes slightly lower margin. What is the typical duration of these contracts and when do these contracts come up for renewal and is there a possibility of renegotiating and getting a better deal in terms of smaller revenue share with regard to the advertisement business?
- Arvind Ranganathan:** All our theatrical contracts are very similar to UFO contracts. We have 10 years contracts and they periodically came up for renewal and all renewals continue to happen.
- In certain cases, we work through partners, the revenue lines are captured in our books, but there is a revenue share that goes to my partner. Here the Capex is incurred by the partner.
- Sanjay Chawla:** Is the sharing only with regard to VPF or advertisements also?
- Arvind Ranganathan:** Advertisements also. If a partner is incurring the Capex, all revenue lines are shared. The top-line goes through by books but the share goes out therefore, in percentage terms you might think that I am paying out more share but that is not really the case. The share that we pay to the theaters currently averages around 20% and 22%.
- Kapil Agarwal:** It is a very important decision that we take from case to case, if we incur Capex, there is no VPF share and advertising remains with us and we also get rental revenues. The payback period is very low while the contracts are of ten years.
- Sanjay Chawla:** If you own the equipment, the advertisement revenue share is similar to UFO?
- Arvind Ranganathan:** If we do the entire Capex, roughly 22% advertisement share is paid out to the theater.
- Moderator:** The next question is from the line of Shouvik Nandi from Photon Capital Advisors.
- Shouvik Nandi:** What is the total cash outflow from UFO for the merger? What is the percentage shareholding of Qube's promoters and ICICI Venture post the merger?
- Kapil Agarwal:** The cash outflow from UFO is ₹117 crore. The promoters of Qube will have 11.93% stake post-merger and ICICI Venture will have a 13.44% stake post-merger. In total, they will have 25.37%.
- Moderator:** The next question is from the line of Ronak Shah from SJC Capital.
- Ronak Shah:** Would Qube's advertisement rates in the south be a little higher on a per screen basis compared to the national averages because occupancies tend to be a little bit more in the south?

- Kapil Agarwal:** We have analyzed that our rates are $\pm 10\%$, but they are exactly in the same range overall. Currently it is sold on a per show basis and it is not sold on a per footfall basis, that why we spoke about consolidation, measurement and research and execution. Measurement is going to play a very vital role going forward and we want to eventually peg it on a per footfall basis once we resolve that issue together of measurement. Then South screens potentially might command a much higher rate because the occupancy levels are higher.
- Ronak Shah:** Have we done initial testing for the measurement service? What is the value proposition to your clients? How do you approach this in terms of a higher added benefit to clients?
- Arvind Ranganathan:** The big objective is to make cinema advertising move from being a tactical medium to becoming a strategic medium. The big change that is required is for some of the big media planners backing their decisions just like any investment manager backs his investment decisions. That is why the metric is going to make a big difference as it did for television. You all have a metric to depend upon based on which you are taking a decision which is where iCount the technology comes in. Starting from numbers of people occupying the cinema to a point where we can hopefully share the gender. That will give media planners conviction to say today I am investing ₹50 lakhs but tomorrow I would like to put ₹5 crore behind this medium.
- Ronak Shah:** Will iCount service be captive within UFO and Qube or will it be rolled out to external third parties as well?
- Senthil Kumar:** The technology solution will be made available to whoever wants to use it and pay a subscription fee or whatever business model we evolve around that service. As a metric, it will be a common metric because it will be positioned in cinemas appropriately to get a composite figure on a per movie per state basis. And therefore, that metric will be universal to whoever subscribes to the service that is providing this metric.
- Ronak Shah:** Is there a lock-in on the shares being granted to Qube promoters and ICICI Venture?
- Kapil Agarwal:** ICICI Venture as a financial investor cannot accept any lock-in, so there is no lock-in on the shares of ICICI Venture. A lock-in on the Qube promoters has been imposed up to May 2018.
- Moderator:** The next question from the line of Amit Kumar from Investec.
- Amit Kumar:** On the cost side, are there any specific synergies? In case of advertising, can you explain with the help of one or two examples? On the D-Cinema side, you have your own solution, Scrabble has a physical delivery network, are there any synergies in combining with Qube and if there are more synergies, can you highlight them?
- Kapil Agarwal:** On the cost side, there will be synergies. We have offices everywhere and Qube has offices everywhere, that infrastructure can be combined. Compliances and accounting duplicated can be optimized.
- Scrabble does not have any technology, Scrabble is a Company which was rolling out DCI network. We did not develop any technology nor did we develop any servers of our own. We were only a deploying entity. While Qube has its own DCI Technology, it develops and manufactures its own servers, now in the combined

system we do not have to buy servers or technology from the outside, we will have our own in-house DCI Technology and we will also have much more flexibility and control over the media playback in the servers. The possibility of modifying our software to meet the needs of media will be far greater. Currently we are dependent on the overseas companies for modifications but after this merger we will have our own technology and own software.

Amit Kumar: Scrabble has a network of D-Cinemas screens, those need to be serviced for every movie and you need to deliver movies in hard drives, so there is a delivery network, will there be synergies there?

Kapil Agarwal: Yes. We will be looking at optimizing all the delivery and duplications.

Amit Kumar: Your subsidiary PJSA is buying an IP business from Qube, is this iCount?

Kapil Agarwal: PJSA is a 100% subsidiary of UFO which is a newly created subsidiary for the purpose of this scheme which is being discussed. Whatever technology come from Qube as a part of this combination like Qube Wire, iCount, non-DCI server, DCI server, DCI technology, various delivery mechanisms, advertising delivery, etc. will be part of PJSA. As Senthil earlier mentioned, Qube's financials are lower because they have been investing a lot in development of technologies and which is written-off in the books of Qube. All those technologies when they arrive into UFO post-merger, will be transferred into PJSA which is a 100% subsidiary of UFO and Mr. Senthil Kumar will personally spearhead that Company and will continue develop and commercialize those technologies with UFO's current infrastructure and assistance. We are not paying for anything.

Qube is a digital cinema Company or UFO is a digital cinema Company. When we need development people or software engineers, we find it very difficult to have them because today people are choosy. Development engineers and software engineers want to work in a software Companies, they do not want to be associated with a digital cinema Company. The idea of having a separate technology Company is to attract best talent into that Company by paying competitive salaries. If we try to pay them competitive salaries in UFO or in Qube, then the demand of all other employees also has to be we pegged accordingly because it is one Company. So we have decided to create a separate Company which will be spearheaded by Mr. Senthil Kumar. This Company is intended to be renamed as Qube Technologies or whatever name is permitted by the Registrar of Companies eventually.

Moderator: The next question is from the line of Levin Shah from ValueQuest Investment Advisors.

Levin Shah: On the preferential issue, what is the rational for doing a preferential issue at this point?

Kapil Agarwal: You will have to wait for the Board Meeting outcome which is lined up for Monday.

Levin Shah: What was the cash balance at the end of FY17on UFO Moviez books?

Ashish Malushte: Net cash is ₹72 crore as on March 31, 2017.

- Levin Shah:** What is the impact of sunset clause on UFO's numbers?
- Ashish Malushte:** UFO's sunset impact for FY18 at an EBITDA level is ₹21 crore; for FY19 is ₹20.8 crore and FY20 is ₹8.5 crore.
- Levin Shah:** Post this deal, the promoter holding of UFO would be 19.21%, right?
- Kapil Agarwal:** That is right.
- Levin Shah:** That number is very low in terms of promoter holding, is there any plan of increasing the stake?
- Kapil Agarwal:** The promoters of UFO have always been looking for ways and means to enhance their stake and as a matter of fact, last few months they were very keen to enhance their stake but unfortunately because we were engaged in this transaction they could not enhance their stake. They continue to be interested in looking at ways and means to enhance their stake and I hope that you will see some uptick in their stake over time.
- Moderator:** The next question is from the line of Manish Poddar from Renaissance Investments.
- Manish Poddar:** Do UFO or Qube promoters have the right to acquire each other's shares first if either one decides to exit?
- Kapil Agarwal:** We are a listed Company, we have not taken any ROFR because any promoter who wants to buy equity can buy it from the market because if you buy greater than 5% you have to give an open offer. It does not matter if you buy it from the market or from each other.
- Manish Poddar:** Would this merger require contract renewal with the existing theaters of Qube?
- Kapil Agarwal:** No, it does not require renewals with all existing theaters of Qube.
- Manish Poddar:** The Company together would have significant cash flows, what will you do with the cash flow?
- Kapil Agarwal:** In the past, we have been very liberal in distributing in cash flows. UFO has committed that at least 25% of the consolidated net profit will be distributed, last year we distributed 53% of PAT along with the dividend tax of our cash flows to the shareholder. In addition to that, we are now investing ₹117 crore in Qube Digital shares.
- We continue to find ways to reward shareholders and distribute cash and we have no interest in retaining cash. We raised the dividend to 100% last year but we were conserving cash because we knew this transaction is coming but we could not give that information to the market. Now at the appropriate time, we are investing all our cash into this transaction and in the future also, we will continue to work on ways to reward shareholders in the best possible way.
- Moderator:** The next question is from the line of Dimple Kotak from SKS Capital & Research.

- Dimple Kotak:** At what level of promoter stake will you be comfortable?
- Kapil Agarwal:** It is a very subjective question, every promoter likes to have at least 76% stake in every Company if they have the wherewithal to do that. That is the only comfortable level in this country.
- Dimple Kotak:** What is the aim of the promoters to take their stake one year down the line?
- Kapil Agarwal:** The promoters of this Company are not third generation or second-generation promoters or own family businesses. They come from a service background, with a lot of effort they have built this Company and they are trying to build their fortune. They do not have the luxury of hundreds of thousands of crores of cash flows if they want to buy. They intent to continue building their capital because they do trust that this Company is going give very rich dividends over a period of time and they have full trust in this Company which they have built. But by how much will they increase their stake is a very subjective question, difficult for us to answer.
- Moderator:** Thank you. I now hand the conference over to Mr. Ankur Periwal for closing comments.
- Ankur Periwal:** Thank you, everyone for joining us on this call today. And a special thank you to the management of UFO Moviez as well as Qube Cinema now a part of UFO Moviez for giving an exhaustive answers to all the investor's queries.
- Moderator:** Thank you Ladies and Gentlemen, on behalf of Axis Capital that concludes this Conference Call for today. Thank you for joining us and you may now disconnect your lines.

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