

Date: 05.06.2024

To,
The Manager - Listing Department
National Stock Exchange of India Limited
'Exchange Plaza', 5th Floor, 'G' Block,
Bandra-Kurla Complex
Bandra (East), Mumbai 400051

Scrip Symbol: PHANTOMFX

Subject: Submission of Transcript of the Earnings Conference call held on Thursday, Thursday, May 30, 2024 at 03:00 PM.

Dear Sir / Madam,

Pursuant to Regulation 30 of Securities Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company is hereby submitting transcripts of Earnings Conference call held on Thursday, May 30, 2024 at 03:00 PM. to discuss Financial Results for the Half Year and Year ended 31st March, 2024 earnings with Investors and Analysts, is enclosed and is also available on the website of the company and can be accessed on the following link:

<https://phantomfx.com/investor/investorpresentation.php>

Kindly acknowledge and take the same on records.

Thanking you,

Yours faithfully,
For Phantom Digital Effects Limited

Pallavi Tongia
Company Secretary and Compliance Officer



“Phantom Digital Effects Limited
H2 & FY '24 Earnings Conference Call”

May 30, 2024



MANAGEMENT: MR. BEJOY ARPUTHARAJ – FOUNDER AND CHIEF EXECUTIVE OFFICER – PHANTOM DIGITAL EFFECTS LIMITED
MR. BINU JOSHUA - WHOLE-TIME DIRECTOR, CHIEF OPERATING OFFICER AND CHIEF FINANCIAL OFFICER – PHANTOM DIGITAL EFFECTS LIMITED

MODERATOR: MS. CHANDNI CHANDE – KIRIN ADVISORS PRIVATE LIMITED



Moderator: Ladies and gentlemen, good day and welcome to Phantom Digital Effects Limited H2 FY '24 Earnings Conference Call hosted by Kirin Advisors Pvt. Ltd. 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 this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you ma'am.

Chandni Chande: Thank you. On the behalf of Kirin Advisors, I welcome you all to the conference call of Phantom Digital Effects Limited. From the management team, we have Mr. Bejoy Arputharaj, Founder and CEO; Mr. Binu Joshua, Whole-Time Director, COO and CFO also we are joined with the finance team of the company.

Now, I hand over the call to Mr. Bijoy. Over to you, sir.

Bejoy Arputharaj: Thank you. Thank you so much, Chandni. Good afternoon, everyone. This is Bejoy Arputharaj, Founder and Managing Director of Phantom. Here, we have Mr. Binu, the Director of the company and CFO as well. And together, we have our finance team joined with me today.

So, let me start the call with my welcome note, the opening remarks. So, ladies and gentlemen, good afternoon. I extend a warm welcome to each of you to the H2 and FY '24 earnings conference call for Phantom Digital Effects Limited. It's a pleasure to have each of you here today as we reflect on the significant accomplishments and advancements we've made during this period. Before we delve into specifics of our performance, I'd like to provide a brief overview of Phantom Digital Effects Limited.

Phantom Digital Effects Limited, founded in 2011, specializes in VFX services for commercials, films, and web series. With a decade of experience, we offer secure solutions with our TPN certificate and operate from Chennai, Mumbai, and Hyderabad, and also in the US. Our global marketing teams in the US, Canada, and UK support over 650 professionals. We have completed over 500 plus projects for industry giants like Amazon, Disney and Netflix. Seamlessly blending CGA and live action in projects such as Leo, Salaar and The Flash and others.

Now, let's delve into the highlights of H2, FY '24. We are elated by the exceptional performance witnessed in H2, FY '24, a testament to the dedication and talent of our team. Alongside the trust and confidence bestowed upon us by our esteemed clients, our growth trajectory owes itself to several key factors.

I am beyond excited to announce the acquisition of Tippett Studio. This strategic move represents not only a significant milestone for our company, but also a transformative leap forward for the entire VFX industry. Tippett Studio stands as a beacon of innovation and creativity, having left an indelible mark on cinematic history with its groundbreaking contributions to iconic films such as Jurassic Park and Star Wars.



By seizing this opportunity, PhantomFX is not only acquiring a prestigious brand, but also gaining access to a treasure trove of expertise, talent and a legacy of excellence. We successfully acquired an asset in the US during a challenging period, positioning us for significant revenue growth in the years ahead. We acquired the asset at a price below its intrinsic value, signalling a strategic advantage for PhantomFX.

It's worth highlighting that the potential for revenue expansion is particularly promising. This acquisition is poised to substantially increase our revenues, multiplying them several times over. With Tippett Studio and Phantom together, we will push the boundaries of what is achievable, redefine industry standards and create enduring works of art that will stand the test of time.

In terms of our projections, we anticipate a substantial revenue growth of 20% to 25% in the fiscal year '24 to '25. As a direct result of this acquisition, this growth trajectory will enable us to expand our workforce by 250 to 300 employees across key regions such as India, the US, and Canada, further solidifying our position in the global VFX industry. The potential for greatness is limitless and I couldn't be more excited about the extraordinary possibilities that lie ahead.

Moreover, the addition of Phil Tippett himself, an industry legend and visionary to our team, is an invaluable asset. His presence directly translates into tangible benefits for PhantomFX, including enhanced visibility, access to high-profile projects and strengthened relationships with key players in the industry. His unparalleled expertise and creative vision will undoubtedly propel us to new heights, inspiring us to push boundaries and redefine the standards of visual effects craftsmanship.

Looking ahead, we are confident that this acquisition will open up a world of exciting opportunities for Phantom. With a robust order book and a team of dedicated professionals, we are poised to revolutionize the VFX industry and create timeless works of art that captivate audiences around the globe. We are also thrilled to welcome James Abadi, our executive producer from UK business, who has distinguished experience of more than 25 years in the content production and the film industry.

Additionally, I am immensely proud of our team's achievement at the VFX Awards for the film Ayalaan, where we won Best Motion Capture, Best Compositing, Best VFX Feature, Best Innovative Use of Software in VFX, Best VFX Supervisor. These accolades highlight our relentless pursuit of excellence and solidify our position as a leader in the VFX industry. We have also done considerable advancement in our R&D and technology department with our own tool sets and implementing AI extensively into the pipeline.

Turning to our financial performance, in the fourth quarter of FY '24, our performance stands as a testament to the unwavering dedication of our team and the enduring trust placed in us by our clients. Despite prevailing industry challenges such as the temporary disruptions caused by actors and writers strike, we adeptly navigated through them. Our strategic diversification within the Indian market has emerged as a cornerstone in achieving exceptional outcomes.

Our total income surged by an impressive 52.46% year-on-year, reaching INR49.20 crores up from INR32.27 crores in H2 FY '23. EBITDA soared by 87.29, Y-o-Y to INR23.16 crores,



translating to an EBITDA margin of 47.08%. An increase of 876 BPS from H2 FY '23. Net profit also saw substantial growth, climbing by 68.08%, Y-o-Y to INR13.72 crores, with a net profit margin of 27.88%, marking an uptick of 259 BPS compared to the previous year.

For FY '24, the company maintained its momentum, with total income growing by 53.96%, Y-o-Y to 90.43. EBITDA for FY '24 stood at INR39.03 crores, representing a healthy growth of 66.22% compared to the previous fiscal year. The net profit was INR24.11 crores, up by 48.89% year-on-year. EPS for FY '24 surged to 26.90, marking a substantial growth of 68.44% compared to FY '23.

These financial heights underscore the company's resilience and effective operational strategies in navigating through a dynamic business environment, positioning it for sustained growth. Looking ahead, we are planning to expand into animation and gaming segments to broaden our service offerings and tap into new markets.

The positive impact of AI on the growth of these industries is undeniable and through our strategic global alliances, including our partners and associates, we anticipate reaching a business volume of five-six times of \$1 million in the first half of the year, with projections for even stronger performance in the second half. By fostering seamless collaboration between our team and AI through dedicated R&D efforts, we aim to enhance our capabilities and efficiency, ensuring we remain at the forefront of technological advancement. We are committed to forming strategic partnerships and collaborations with industry leaders and innovative startups.

This will allow us to access new technologies, markets and talent pools, driving our growth and innovation. Additionally, we are expanding our presence in key markets with global marketing offices in the US, Canada, Dubai and UK, to cater to a broader client base. Continuous investment in talent acquisition and development is a priority for us. We strive to maintain a skilled workforce capable of meeting evolving client demands and driving innovation.

Furthermore, we are exploring opportunities to diversify our revenue streams through licensing, intellectual property rights, original content creation and other innovative business models. Now I would like to open the floor for the question-and-answer session. We are more than happy to address any questions you may have.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Garvit Goyal from Nvest Analysis. Please go ahead.

Garvit Goyal: Good afternoon, sir. Congrats for a good set of numbers. I have two questions. One is on growth outlook you already shared, but I want to ask further, like, are you people witnessing any kind of headwinds in terms of strikes, which is continuing till now, or execution delays for the project that you are currently having? So is there anything like that that is happening in the industry level?

Bejoy Arputharaj: It's a question about strikes and, yes. So, you know, the strikes definitely had some impact in the industry, but as you know, Phantom is not just depending on the North American film market, but also we are a global, you know, we have a global client base. So mostly, you know, the European and other regions have covered and we have a very stronghold in the domestic market.



So we, though we felt the impact of the North American region business dip, but, you know, with other business, we were able to successfully manage and, you know, we were able to keep up the pace.

Garvit Goyal: So is it going to have any kind of impact, like you provided a guidance of 20% to 25% and we recently acquired an entity. So considering that organic and inorganic, so don't you think the guidance is very much conservative at your end?

Bejoy Arputharaj: Yes, you know, see, the first half, you know, we are expecting around 5 to 6 million to be, you know, because we have already started seeing the market coming back. So we already have 5 to 6 million worth of orders for the first half. So, you know, this second half, we have more than, you know, we are expecting more than that on a conservative basis.

And going forward, you know, since the strike has been, you know, not existing anymore, they have, you know, the whole industry is starting to come back. So we are expecting a considerable amount of projects to start and already, you know, we have started getting projects from abroad.

Garvit Goyal: So the guidance that you are giving the 20% to 25%, there is not any upward potential to it in FY '25. That's what you are saying?

Bejoy Arputharaj: 20% to 25% is that it's on a conservative basis, actually.

Garvit Goyal: Okay. And what kind of margin guidance you are giving?

Bejoy Arputharaj: Can I ask my finance team to answer these questions, please?

Management: So the margin, we'll try to maintain what was declared in March '24. But if everything comes through, we'll try for a actually much higher than that. But however, we can try to retain on the existing margin.

Garvit Goyal: And just last question on FY '25 only, like, is it likely on any near-term impact of the industry headwinds that you mentioned in first half? Or is it likely to be like a recovery will start from here on and it will continue throughout the year? So how it is going to shape up from this year?

Bejoy Arputharaj: Can you please put your question again?

Garvit Goyal: Yes, I was asking like, is the industry headwinds still prevailing and they are going to impact our near-term quarters? Or is it like the recovery will start from this quarter onwards only and the thing will shape up for the rest of the year?

Bejoy Arputharaj: It has already started. So what we are realizing is like, from January onwards, we started seeing a good flow of projects. We already have signed up to 5 to 6 million projects globally. And through our new business acquisition and it's gaining momentum for us. So we are getting a lot of good projects in the pipeline going forward.

Garvit Goyal: Understood, sir. That's it from my side, sir. All the best for the future.



- Moderator:** Thank you. Participants, Next question is from the line of Shikhar Mundra from Vivog Commercial. Please go ahead.
- Shikhar Mundra:** I want to understand about your balance sheet. Your receivables have jumped to INR50 crores. I mean, that's more than 200 days of receivables. So, I mean, what's your comment on this?
- Bejoy Arputharaj:** Finance team?
- Management:** So the receivables are not like as it was. As MDs have said that the strike has been slowly getting off. So the maximum business has come for the fourth quarter from February and March. So that fits as receivables because the cycling, if you see, the collection was like 60 days, 90 days, something like that. So vis-a-vi, the outstanding, we have received almost 20%-25% of the existing receivables for March '24.
- So this is not something like an old outstanding, which is to be recovered or a number of days or more than that. This is purely on well within the control. I could say that 90 to 120 days is the outstanding.
- Shikhar Mundra:** Can you give us in the months, January, Feb and March, how much billing we did?
- Management:** See, January, we did INR11 crores. February, we did almost INR15 crores and rest will be in March.
- Shikhar Mundra:** Okay. And out of the INR50 crores, how much is more than 180 days out of the INR50 crores receivables?
- Management:** 180 days, I would say that INR8 to INR9 crores, not beyond that.
- Shikhar Mundra:** Okay. And the second question is regarding the other current assets. So again, that has jumped from INR18 to INR37 crores. So what is this other current assets?
- Management:** See, other current assets, it's purely on the advances, which has been paid. Okay. So there are certain capital expenditures, which are not yet concluded. So that has been taken into that. We have spent almost out of INR16 crores capital expenditure, we did INR13 crores. So that's where the jump when compared with last year.
- Shikhar Mundra:** Okay. And what about the Ayalaan movies or the money for the Ayalaan movie that has come in or that is still stuck?
- Management:** I would request Mr. Binu to be able to answer this.
- Binu Joshua:** Yes. Hi, this is Binu. For the Ayalaan movie, we have almost acquired most of the money and few areas we hold the rights for the movie, especially in China and few satellites. Most probably, I would say we are expecting the inflow most probably in 30-40 days maximum it will require and we are getting a good profit in that business actually.
- Shikhar Mundra:** Right. Thank you. And what was the split between exports versus domestic this half of the year?



- Management:** The current year you are asking?
- Shikhar Mundra:** Yes, the current year and the second half.
- Management:** The second half, I would say that 40% comes from the international and 60% from the domestic. And this financial, I would request Mr. Binu because he is taking care of the marketing across the globe, even the domestic.
- Shikhar Mundra:** Right. Got it. Thank you. I will join the queue back for further questions.
- Management:** Okay.
- Moderator:** Thank you. Next question is from the line of Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.
- Ayush Agarwal:** Sir, thanks for the opportunity. Sir, continuing on the earlier participant question. Sir, we have two kinds of other current assets. One is non-current assets, other is current assets. So, INR37 crores in current assets and INR18 crores in non-current assets. So, a INR55 crores number, sir, is there. So, I am guessing that about INR12-INR13 crores would be for capex. Sir, what is the other INR40 crores of other current and other non-current assets, sir? Because there was distribution rights also which was stuck there and I don't think it has been received.
- Management:** I will explain to you, sir. So, these other non-current assets, INR18.59 lakhs, which sits in the form of a fixed deposit which is to be matured more than 12 months, which is defined as per the accounting standard. And if you could see that the cash and bank balance also there for INR18 crores. So, almost we are having a fixed deposit of INR37 crores. So, these have been bifurcated like that. And coming to the other current is -- apart from the capital work in progress, with regards to the Ayalaan movie, we were supposed to collect INR9 crores.
- That's what Mr. Binu said that there are two of the places we need to realize it because we are yet to release the rights. That is in China as well as the satellite. Once that's been coming, then we can able to conclude it. Hopefully, we are looking for clearance of the same at the earliest, sir.
- Apart from that, there are INR8 crores-INR9 crores which is there as a prepaid expenditure, wherein there are certain subscription we have paid in advance with regards to the software and there are certain expenses which has paid towards the insurance. So both put together, roughly I would say that INR7 crores which is lying as a prepaid expense. Hope I am clarified.
- Moderator:** The line for the participant dropped. We move on to the next participant. Next question is from the line of Divy Agrawal from Ficom Family Office. Please go ahead.
- Divy Agrawal:** Hi, sir. Thanks for the opportunity and congratulations on the great set of numbers. I just had one question regarding the intangible assets. Intangible assets has been gone up from INR73 lakhs to INR8.4 crores. Can you give some color on that, sir?



Management: Sir, you know this is in a VFX industry. We need to depend more on the software driven. So, last year we have added many more software in terms of giving a better quality and also to meet out the time and best effect on the costing. Bejoy sir, would you like to add something here?

Divy Agrawal: Okay, sir. Got it. Thanks. All the best. Thank you.

Moderator: Thank you. Next question is from the line of Amit Doshi from Care PMS. Please go ahead.

Amit Doshi: Yes, thank you. Sir, you mentioned that you know this INR50 crores of receivable is generated towards the Feb, March and generally average still would be in the range of 60 to 90 days. So, now with this May 31st, say for example something which we would have booked in February. So, at this point in time as we speak that money has been recovered already?

Management: Yes. Part of the INR50 crores we would have already kind of recovered?

Management: We have recovered approximately 25% out of that.

Amit Doshi: Okay.

Management: Till yesterday.

Amit Doshi: Sure. In terms of this inventory INR35 crores, sorry I could not hear the comments properly. Can you just slightly clarify? Because I understand that whenever we create more and more assets, I think we classify it as an inventory as well. I mean, which is not kind of a live project. So, would that include that portion as well? Can you just more clarify on that INR35 crores inventory?

Management: No. INR35 crores inventory which purely talks on the work in progress, which I would say that the cost has been incurred as against that billing has not been done due to the milestone achievement. Okay. So till March, there are a couple of projects we have done in the work, but we were unable to meet out the, or we were unable to raise the invoice due to the non-achievement of the milestone. So that fits as in a work in progress. So, name per se, it's stated as an inventory WIP, but it's purely on the work in progress towards the project, which can be translated to the income and expenditure in the upcoming quarter.

Amit Doshi: Okay. Got it. So, in terms of you -- in the opening remarks, you mentioned that you acquired one studio and the valuation of which was below intrinsic value and you mentioned some 200-300 employees are there. Can you share some more details? What is the amount that we paid? What sort of revenue did that studio have? At least these two details and anything more that you would like to add?

Bejoy Arputharaj: Yes. So, the acquisition is still in process. This is yet to be completed. So, probably in another 30 to 45 days, we are expecting all the legalities to be done and the completion to take place. Regarding the intrinsic value that I mentioned, it's just because the market is not doing that great in the last year, we were able to acquire them in a very competitive price.

And this association of Tippett and Phantom, it brings value for both the companies, not just for Phantom but also for Tippett. Tippett is taking advantage of Phantom's manpower and our



expertise and our technical abilities and the tools and the technical research team's abilities. And also, at the same time, we are taking Tippett's advantage of having that great legacy of 40 years because they're the one who were part of even the film, Jurassic Park. You would have seen all the dinosaurs walking around.

So, all those animations were done by Phil Tippett himself. So, he has such a legacy carrying with him. So, we are taking advantage of that in the market and that actually has opened up a lot of doors for us. So, this is a very strategic move that Phantom has done and we have already started seeing the results of the strategic alignment.

Amit Doshi: Okay. So, the amount paid and what is the revenue size of that studio, if you can just give that to us.

Bejoy Arputharaj: So through our international collaboration, not just with Tippett but mostly with everything, we already have signed 5 million to 6 million in the first half. And in the second half, we are expecting more than that on a conservative basis.

Amit Doshi: So, this is the revenue that you spoke about?

Bejoy Arputharaj: Yes.

Amit Doshi: Revenue that you are likely to generate going to this collaboration, right?

Bejoy Arputharaj: Yes. Not just because of this collaboration, but Phantom as an individual and also through the collaboration. And I don't have that separate numbers right now with me. Maybe I can connect with you later and give you that numbers, but this is all together.

Amit Doshi: Okay. And the amount that you are likely to incur for that collaboration? I mean, in terms of the amount that we are likely to pay for that?

Bejoy Arputharaj: That is -- we have purchased 80 percentage of stake for an amount of \$3 million.

Amit Doshi: \$3 million?

Bejoy Arputharaj: Yes.

Amit Doshi: Okay. Thank you so much. I wish you all the very best.

Bejoy Arputharaj: Thank you. Thank you so much.

Moderator: Thank you. Next follow-up question is from the line of Ayush Agarwal from MAPL Value Investing. Please go ahead.

Ayush Agarwal: I'm sorry, sir. I think I got dropped. Sir, my next question is on this thing, Tippett. So, how many employees there have been retained because Tippett recently declared bankruptcy? And if we have kept any employees there, what will be our employee costs there going ahead?



- Bejoy Arputharaj:** So, we are retaining around 80 to 100 employees mostly. They work in a contract basis. So, when you mentioned about the bankruptcy, it's actually not a bankruptcy which dissolves the company, but we are restructuring the company because the last year has been a bit troublesome for them. Phantom is taking advantage of the situation and helping them with the restructuring by filing Chapter 11 there. So, this is not a dissolvency bankruptcy, but we have given this notice to the court saying that Phantom is stepping in and taking over Tippett so that this allows Phantom to restructure Tippett's working model. So, that is the motive behind the bankruptcy filing.
- Ayush Agarwal:** And sir, what will be the fixed employee cost going ahead for Tippett specifically?
- Bejoy Arputharaj:** Yes, we are working on that. Maybe we can connect at some other time and I will let you know about it.
- Ayush Agarwal:** Okay.
- Bejoy Arputharaj:** Because it depends on the project-to-project basis. So, some people might be needed for some project and some might not be needed. So, we are working on that.
- Ayush Agarwal:** So, they are not on a permanent payroll then?
- Bejoy Arputharaj:** Permanent payroll, we have at least 40 percentage of people in permanent payroll, but rest all is in contract mode. That's how the international market works. They don't have many permanent payroll people.
- Ayush Agarwal:** Okay. Sir, next question is on India specifically. We have around 650 employees and we regularly check our employee data. There is no growth seen in the last 9-10 months and we had this vision to take our workforce to 1,000 people. By when do you think that can happen?
- Bejoy Arputharaj:** Yes, we are expecting that kind of growth in this coming year because we have already started signing good projects and good number of projects coming in. The reason the number of employees didn't grow is because the market is not that great in the last year. But still Phantom, keeping our investors' benefit on mind, we made a good profit.
- But we didn't expand much because there is not much scope out there. So we wanted to keep our manpower under control and keep the same profit margin or more than that. So that is what our agenda was.
- Ayush Agarwal:** Understood. And sir, sorry I got dropped that time. You were saying -- Binu sir was saying about the INR37 crores other current asset. I think he mentioned INR13 crores for capex, some is for Ayalaan. If Binu Sir can mention what the rest is about, it will be very useful.
- Management:** Sir, we were told, the same question was asked by other gentlemen. We were told that out of that INR37 crores, INR13 crores towards the capex advance we have paid and INR10 crores towards the Ayalaan to realize because some of the countries we are ready to release our rights. So, which was told by the management that everything shortest to period we can able to recover this money because we are in the final verge of releasing our rights.



And there are certain expenditures like software prescription and even the insurance for the project. All those things we kept it in some portion as a prepaid advance because which has been eventually falling into the current financial year. That is FY '24-'25 to the tune of INR8 crores. Rest will be an a like TDS, advance tax paid, stuff like this. It's in the books of accounts.

Ayush Agarwal:

Understood. That's very helpful, sir. Thank you and good luck for next year.

Management:

Thank you, sir. Thank you.

Moderator:

Thank you very much. Next question is from the land of Akhil from Pkeday Family Office. Please go ahead.

Akhil:

Hi, I just have one question. So, you said that your domestic revenue is 60% and your export revenue is 40%. Do you see growth in both the segments going ahead or do you see this split changing in the next few years?

Binu Joshua:

Hi, this is Binu. I can answer this. So, this current year we are planning exactly reverse. 60% from OCs and 40% in domestic. But the remains will retain the same what we have planned the previous year of domestic. But we are planning to increase the international model of revenue will get increased into 60%. Maybe more than that. So, this will relay in the upcoming years as well.

Management:

The reason is we are expecting more profit margins in the international business. So, that is the reason. Domestic is always going to stay with Phantom because we have a great stand with domestic clients and we have a very strong foothold on the domestic market. So, we will definitely be keeping on doing this, whatever we are doing. But we are increasing our international business. So, that is the difference.

Akhil:

Okay, understood. So, you expect that the growth in the future will come from export?

Management:

Yes, we are not decreasing our domestic market but we are increasing our reach to the international market through our recent acquisition and other marketing strategies. So, that has started paying back. So, we are increasing our international business.

Akhil:

Okay, understood. Thank you so much.

Moderator:

Next question is from the line of Karan, individual investor, please go ahead.

Karan:

Yes, thanks for the opportunity. I have two questions. So, first thing is, last year we have raised some amount from QIP, from some institutional investors. So, I would like to understand from you, going forward in FY '25 and FY '26, are there any additional plans of raising more debts or diluting our promoter holding or it will be like this only?

Bejoy Arputharaj:

Finance team, do you have an answer for this?

Management:

Sir, as such, we do not have any idea to dilute further either from the company side or from the promoter side because the money whatever we have secured as of now has been kind of enough to meet out the expansion program. But nevertheless, it depends upon the opportunity and the



decision might vary in FY '25-'26 financial year. But as of '24-'25, we do not have any idea to increase further on the capital side.

Karan: What about debt? Are you planning to raise more debt?

Management: No, it depends upon again the requirements. But currently, the management had an internal discussion based further on the capital front because we have an internal accrual can be met out from that. However, it depends upon the market opportunity. The decision might vary in FY '25-'26 financial year, if at all, if the funds are required. As of now, there won't be any idea.

Karan: Okay, I have a second question. Are we planning to move to the main board of NSE or BSE?

Management: Certainly, once we meet out the timeline as per the exchange norms, certainly we can get into the main board, sir.

Karan: Okay, thanks.

Moderator: Thank you. Next question is from the line of Akshada from Vivog Commercial Limited. Please go ahead.

Akshada: Yes, hi. I have a couple of questions. Number one, how many projects are ongoing which are considered in the inventory worth almost INR35 crores? And the second is on the Canadian acquisition. What was the cost of acquisition? How many employees did you acquire and is it fully acquired?

Bejoy Arputharaj: So, the number of projects is approximately more than 22 projects as of now, currently. And the next question is about the number of employees in Tippett or with Fantom?

Akshada: No, this is specific to the Canadian acquisition?

Bejoy Arputharaj: Yes. So, at the time of acquisition, there were around 90 to 100 people and most of them are in the contract basis and around 40-45 people are in the regular payroll. So, that's the current scenario. But depending on the project's nature, we will have to hire a few senior people and the rest of the job execution will be happening here in India so that we can keep the margins higher.

Akshada: Okay. So, what was the cost of this acquisition?

Bejoy Arputharaj: For 80%, we paid around 3 million.

Akshada: Okay. The 3 million Canadian dollars?

Bejoy Arputharaj: USD.

Akshada: USD. Okay. And is it fully acquired?

Bejoy Arputharaj: Pardon?

Akshada: Is it fully acquired by us?



Bejoy Arputharaj: No, no. We have acquired 80 percentage. So, they were valued around 3.75 million and we paid around 3 million for 80%.

Akshada: Okay. So, balance is still with the old owners?

Bejoy Arputharaj: Yes. Because that's how we keep them motivated, right? Because we want them to run the business. We don't want them to abandon the business. So, that's the strategy move we have there, yes.

Akshada: Okay. And your total cost of employees in the Canadian acquisition currently would be how much?

Bejoy Arputharaj: I can get you this information at a later point of time.

Akshada: Okay. Thank you.

Moderator: Thank you very much. Next question is from the line of Tejas from Capgemini. Please go ahead.

Tejas: Hi. Good afternoon, everyone. My question is regarding like previously discussed in the earlier con calls.

Bejoy Arputharaj: Can you please talk a bit louder? I couldn't hear you. I'm sorry.

Tejas: Yes. Hello.

Bejoy Arputharaj: Yes.

Tejas: Is it fine? Yes. So, in the previous con calls as discussed, we were anticipating like revenue of 50% for the financial year '25. So, are we in line regarding that?

Bejoy Arputharaj: Yes. You're talking about the previous finance year and comparatively this current upcoming financial year?

Tejas: Yes. Upcoming financial year?

Bejoy Arputharaj: Yes. 50% of growth is what we are expecting. On a conservative basis. So, you know, there are possibilities of even, you know, supporting that.

Tejas: Okay. And margins will be around 43% to 48% as discussed in the previous con calls also for the upcoming financial year?

Bejoy Arputharaj: Yes. Exactly.

Tejas: Okay. Thank you so much.

Management: No, that margin is regarding the EBITDA, not the PAT margin.

Moderator: Thank you very much. Next question is from the line of Agam Shah, Individual Investor. Please go ahead.



Agam Shah: So, I had a question connected to previous participant. So, in the opening remarks, you said a growth of 20%-25%. Last quarter, you as a previous participant also asked. So, is the guidance for this year FY '25 50% to 55% or 20% to 25%?

Management: Finance team, can you please answer that question?

Management: See, we are expecting as in the opening remarks, sir has mentioned that conservatively it could be 25% to 30%. But this can be bypassed, depends upon the market condition and the conclusion of the Tippett deal. So, this is what MD was told. So, we likely to be cross or we can likely to be expected 50% growth when compared to the FY '23-'24.

Agam Shah: And this Tippett is the Canada acquisition which we are talking about, right?

Management: Yes.

Agam Shah: And just one more clarification. So, on the receivable side, you said that there was a big jump up which of that 25% has come in, right? Of the INR50 crores?

Management: Yes. Come in. Already come in.

Agam Shah: Has already come in. So, it was just a temporary jump that was seen.

Management: I am sorry?

Agam Shah: It was a temporary jump that was seen in the balance sheet.

Management: Yes.

Agam Shah: Right?

Management: Yes.

Agam Shah: And can you talk more on the industry scenario currently? So, after the strike and how things are and how do you see things moving ahead in a more longer-term scale, let's say in 3 years? Where do you see a company and the industry going towards? If you can briefly talk on that?

Bejoy Arputharaj: Yes. So, the strike unfortunately is an unforeseen event happened. But immediately after the strike got over, people are back in business and there are so many discussions happening. We have a lot of projects in pipeline. As I said, we have already signed 5 million to 6 million worth of projects on the global market. And the scope for new projects is so high and we are expecting a very huge surge in project flow from July onwards. So, we are expecting a lot of bigger projects to come in a couple of months, time. And so, as I said, the growth will be definitely higher going forward.

And the next 2 years to 3 years, we are right now structuring and streamlining our pipeline between both our companies. And we are also looking at expanding our reach throughout the world. Not just the North American region, but also we are looking at the European market and other regions as well. So, there is a very great scope and as the content is in demand always.



Just, because of this strike, this market has a slight slowdown but right now everything is back on foot and projects started coming in. So, we are expecting great growth going forward.

Agam Shah: And this receivable thing is going to remain a concern for us as an industry? Any challenge or not really?

Bejoy Arputharaj: No, it won't be a problem because we will be recouping it. The only reason we were allowing a bit more of credit period is, as a company, we had to survive. I don't want to keep my employees idle. So, we had to be a bit lenient to be competitive between our competitors as well. When other companies are very desperate of picking up projects and they were ready to give a couple more months as a credit timeline. So, we had to go with that to be competitive.

But what hold we have is, we don't deliver the final output. We might be working on, there are the most of the numbers that you see are from the work in progress of the project. So, what happens is, towards the delivery, we will be recouping and in certain milestones, we will be recouping. So, the credit timeline has slightly increased, but it's all under control.

Agam Shah: So, what is a typical credit line which is increased?

Bejoy Arputharaj: It depends. Not every project, but a few projects, we have allowed people to take more than 30 days to 45 days from our usual credit timeline. 35 days...

Agam Shah: So, what do you say, going ahead, receivable cycle to be 90 days?

Bejoy Arputharaj: No, it is not going to be like that. I was talking about the past. Now, we are back on track and we are putting the same credit timeline in our current contract. So, we are not expecting that delays in the projects going forward.

Agam Shah: Okay. Sure. We wish you the best.

Bejoy Arputharaj: Thank you.

Moderator: Thank you very much. Next question is from the land of Bharat Gupta from Fair Value Capital. Please, go ahead.

Bharat Gupta: Hi, sir. Thanks for the opportunity. Sir, a couple of questions. First is in regard to the gaming industry. So, what's the update like? What a strategy do you have in mind regarding the expansion towards the gaming industry?

Bejoy Arputharaj: Yes. The current year, we are looking at a couple of companies where we will partially acquire takes from them. And we are already working with a lot of gaming companies, developing assets and creatives. The only thing missing is the technical side of it. The coding and other parts. So, we are attaching these other companies probably this year. So, that would really help Phantom to grow in that arena as well. And we are looking at the gaming arena in a very serious note.

Bharat Gupta: Right, sir. Any particular number which you have in mind in terms of the capital deployment?



Bejoy Arputharaj:

Right now, I don't have it. But once we are close to finalizing the deal, we will know that. We will definitely keep you updated on that.

Bharat Gupta:

Sure, sir. My second question pertains to the AI usage. So, particularly, we have been hearing from the market that there has been some sort of a job displacement out there in Hollywood as well as in the overseas market. So, what's your take on it? Because down the line, if AI is going to do the work for the VFX, is that kind of a disruption? What kind of a strategy do we have in place regarding the usage or the enhanced usage of AI which currently is happening in the market?

Bejoy Arputharaj:

Yes. So, I will explain in detail on that. So, down the line, when you say down the line AI is going to do all the VFX work, that itself is a myth. So, that is definitely not possible. I'm not just defending because I'm from the VFX industry but that is definitely a myth because AI is not in this VFX industry alone but it is also in all the industries. Even if you are a finance analyst, AI can do a better job than what you guys can do.

So, only you know what you can do and what AI cannot do. So, it is the same with VFX industry. What we can do and what AI can do is different. And what we can do when we go along with AI is completely different. So, we are increasing productivity. This is like how computers were introduced back in like 40-50 years before. Everybody was afraid looking at the growth of computers and what if it is going to take all of our jobs. But it was the other way around. It increased the job opportunities.

It actually increased the productivity. It increased our scientific abilities. So, that is how AI is going to support every industry and it is also going to do the same for VFX as well. And if you see all these AI generated images and videos, it is not accurately giving any results that a filmmaker wants. But it is doing an amazing job in terms of supporting their vision. But still, VFX is going to play the major role.

And we are already taking advantage of all these AI tools. And we are also developing our own. We have our own research and development team here. We have our strong technology team. We have developed a lot of software and tools. And we are doing research on AI for the last 3-4 years. And we have started implementing a lot of AI tools in our pipeline already. And we are literally seeing the productivity we are able to harness through AI actually. So, for example, certain jobs that we do, we were spending a lot of time, at least 20 days of time, before AI intervention.

And now we are simply doing it in 3-4 days. So, that kind of productivity is getting increased. And of course, when we get a particular job done in 5 days, instead of 20 days, we are giving that benefit to our client as well and being very competitive. So, going forward, the companies who adapt AI into their pipeline is definitely going to have an edge over others. It is out of question. So, people who are following more of traditional methodologies is definitely going to lag behind.

But that is not the case everywhere. Everyone is adapting AI technology and it is only increasing the productivity. When productivity increases, there is going to be more number of content



generated. And there is a huge demand for content all the time. And nowadays, the rise of OTT, when you see, when you compare the number of OTTs last year and this year, it has a very significant amount of increase in numbers with the OTT platforms. That itself is a proof that there is a huge demand of content and there is a huge consumer base all around the world.

So, when there is a huge number of content in demand, where the bottleneck happens is there is limited VFX houses or when there is limited resources in terms of post-production or any other production or anything. So, AI is going to increase the productivity. So, we will be able to accommodate more projects when it comes to AI's ability. So, that is what I am looking at and that is what the industry altogether, everybody feels the same. So, AI is not here to take anybody's job or take away anybody's business, but it is going to only increase the business opportunities here. And we are evidently seeing that already.

Because, for example, when we develop concept sketches, we used to take 15-20 days before. Now, we are doing it in 2-3 days. And it is not just the AI is not creating everything, but we are working along with the AI and putting our creative abilities into it. We are enhancing whatever the AI is giving as an output and we are putting our artistic expertise into it. So, it does not mean that anybody can do it, but it has to be done by an VFX artist. But, these are tools that have given more capability for any artist to get the job done in a quicker span of time.

Bharat Gupta: Right. Thanks for your detailed brief on the scene.

Moderator: Bharath sorry, can you speak a little louder please?

Bharat Gupta: Yes. I would just say thanks for the good amount of brief on the same. Sir, in terms of the like, I got your point with respect to enhancing on the productivity side. Because, a basic kind of a work will be done by AI platform, right? But, the kind of value addition, it requires a manual intervention. In that way, in terms of the margins, like currently we are building an end-to-end solution for the customer.

Like, it's a customized solution for him. But, after using all the AI software's, don't you think that the quantum, like I do get the point that content will increase, but in terms of the quantum of deliverables. So, don't you see there will be a compromise on that front and it can squeeze on the margins going forward?

Bejoy Arputharaj: No, definitely it will not squeeze on the margins because we are increasing the quantum of content delivery also. And for example, if I am able to accommodate one project in three-month time, maybe going forward I will be able to include two projects at the timeline, at the same time. And we have evidently seen this before because we've been developing a lot of software and tools in the past 3, 4 years.

It has allowed us to, you know, before that, you know, a project scale of Ayalaan, for example, I will quote Ayalaan here. We had around 4,000 plus shots. We completed that project in a span of 8-9 months time. So, that actually, before three years, we couldn't, we wouldn't have done that. The ability that Phantom had is not that great. Because of all the software and tools that we have developed over the period and also adapted to the new technology that AI bringing in and



other software tools and bringing in, we were able to handle a project in the scale of Ayalaan and also we handled other projects as well.

Like, for example, we were, right now we have a capability of handling four projects like Ayalaan in a single year. So, that is the scale that has allowed us. So, when the technology grows, that is the ability that actually it gives to anybody. So, that is what Phantom is enjoying right now.

Bharat Gupta:

Right. Thanks, sir. Thanks for your deep amount of answer on the same. Last question, if I can squeeze in. Sir, in terms of your vision for the company for the next 3-5 years, how do you look at the overall industry? We are doing the right things where we are expanding out in the overseas market, but how do you see the company going forward over the next 3-5 years?

Bejoy Arputharaj:

We have a very detailed plan and execution strategy for the next 3-4 years, I mean, 3-5 years time. And that includes a lot of acquisition and attaching a lot of other verticals from the film industry. So, we are not just going to depend only on VFX, but also on the other verticals as well. So, that is going to increase the profit margins, increase the turnovers. So, that is what we are looking forward in the upcoming years. I cannot reveal a lot more details on a public call, but we can have a discussion if you want in a more closed session.

But this is definitely going to help us going forward. The acquisitions are helping us a lot. The doors that we have been knocking for many years now are easily openable now. We have opened a lot of big doors already. And we have also figured out new regions that are giving a lot of benefit to Phantom. So, the next 5 years is going to be a great year for us.

Bharat Gupta:

Thanks, sir. Wish you all the best and we will definitely look forward to connect. Thank you so much.

Moderator:

Thank you very much. Ladies and gentlemen, we will take that as the last question. I will now hand the conference over to Ms. Chandi Chande for closing comments.

Chandni Chande:

Thank you everyone for joining the conference call of Phantom Digital Effects Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the conference.

Bejoy Arputharaj:

Thank you.

Moderator:

Thank you. On behalf of Kirin Advisors Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.