

November 18, 2024

To

**National Stock Exchange of India Ltd**  
Exchange Plaza, 5th Floor,  
Plot No. C /1, G Block, Bandra - Kurla Complex,  
Bandra (E), Mumbai – 400051, Maharashtra, India.

**(NSE Symbol: PHANTOMFX)**

**(ISIN: INE0MLZ01019)**

**Subject: Submission of Transcript of the Earnings Conference call held on Thursday, November 14, 2024 at 03:00 P.M**

**Ref: Regulation 30(6) read with Schedule III Part A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).**

**Dear Sir / Madam,**

With reference to our intimation dated November 11, 2024 related to the Earnings Conference call, the Company is submitting the transcripts of Earnings Conference call of the analyst/investor conference call which was held on Thursday, November 14, 2024 at 03:00 P.M to discuss the Un-Audited Financial Results of the Company for the Half Year ended 30<sup>th</sup> September 2024.

The same can be accessed on the website of the Company at the link <https://www.phantomfx.com/investor/investorpresentation.php>

You are requested to kindly take on record the above-said information.

Thanking you,

Yours faithfully,

For **Phantom Digital Effects Limited**

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**Poornima Raghu**

Company Secretary & Compliance Officer



## “Phantom Digital Effects Limited H1 FY-25 Earnings Conference Call”

**November 14, 2024**



**MANAGEMENT: MR. BEJOY ARPUTHARAJ – CEO & FOUNDER**  
**MR. ANANTHARAMAN – VICE PRESIDENT FINANCE**  
**MODERATOR: MS. CHANDNI CHANDE - KIRIN ADVISORS.**



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**Moderator:** Ladies and gentlemen, good day and welcome to H1 FY25 Earnings Conference Call of Phantom Digital Effects Limited hosted by Kirin Advisors.

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. Please note that this conference call will be approximately 60 minutes long. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Chandni Chande:** Thank you, Muskan. On the behalf of Kirin Advisors, I welcome you all to the conference call of Phantom Digital Effects Limited. From management team, we have Mr. Bejoy Arputharaj, CEO and Founder, Mr. Anantharaman, who is Vice President of Finance. Now, I hand over the call to Mr. Bejoy. Over to you sir.

**Bejoy Arputharaj:** Thank you. Good afternoon everyone and thank you for joining us today for Phantom Digital Effects Limited H1 FY2024-25 Earnings Call. We are delighted to share with you our financial performance for the first half of FY25 as well as key developments across the business that reflect our growth trajectory and continued commitment to innovation.

**To begin, I would like to highlight some of the developments within our company:**

We have made a strategic partnership with prominent Chinese production house supported by the Chinese government as part of our efforts to expand Phantom FX presence in China. China's thriving entertainment sector, this collaboration provides us with the opportunity to contribute our advanced VFX capabilities to major film projects, while also exploring new frontiers such as AI generated content and smart home technology, which will further bolster our offerings.

In addition, we are excited to welcome two distinguished industry professionals to our team, Mr. Vetrivell Velumuthu, who joins us as a Senior Vice President of Production and Business, brings with him 28 years of experience in VFX, animation and gaming. His extensive experience will be instrumental in strengthening our production capabilities.

On the technology front, we have introduced new automation tools that have already resulted in a 15% increase in productivity. In addition, we have launched a state-of-the-art virtual production unit enabling enhanced pre-production capabilities with the integration of AI driven advancements and auto realistic, visual sets. We are empowering filmmakers to create more immersive and groundbreaking digital experiences.



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Our performance in H1 FY25 reflects our ongoing commitment to excellence and the trust our clients' pleasingness. We are pleased to report that our order book remains strong with a significant 30 crore project from Tippett, which will be billed in the second half of FY25. Furthermore, we have submitted 35 proposals totaling over 100 crore in project value, with a solid order success rate of 20%, ensuring a robust pipeline for the remainder of the fiscal year.

From a Financial Perspective:

Phantom Effects delivered a strong performance in H1 F25, our consolidated total income reached 36.65 crores, with an impressive EBITDA of 16.32 crore, reflecting an EBITDA margin of 45% on a standalone basis. We reported total income of 35.96 crore and a robust EBITDA margin of 45.77%.

Net Profits:

Our net profit stood at 8.27 crore on a consolidated basis, and 8.38 crore on a standalone basis, reflecting our operational efficiency and growth in an increasingly competitive market. As we look ahead to the second half of FY25 we are confident in our ability to continue driving growth. The solid order book, new strategic partnerships and ongoing technological advancements Phantom Effects, is well positioned for sustained success. Thank you for your continued support, and we look forward to keeping you updated on our progress.

With that, I will now open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question-and-answer section. Our first question is from the line of Ronil Dalal from Ficom Family Office. Please go ahead.

**Ronil Dalal:** So, my first question is that, the receivables I can notice have gone up around 30% from around 51 crores to 66 crores. So, as per previous calls and interactions that we have discussed that receivers are getting under control and coming down. However, this result shows that it has moved up. So, could you please share any clarifications, or can throw some color on this. Thanks.

**Bejoy Arputharaj:** Good afternoon, thanks for the question. Actually, the receivables, which we are having around 66 crores as of September, so we have a plans that we will be collecting maximum of them in H2, we have already received around 10 crores of it, and the balance 56 crores which we are expecting 30% in the coming quarter and the next quarter. So, not much will be the outstanding and we are following with the customers and very aggressively and the customers are still working with us, so we will be getting the payments very soon in this coming quarters.

**Ronil Dalal:** Right. Because, last time also the discussion was that the money was about to come in the next month or so, or next month or two months, but then that, I assume has not happened. So, the customers have further delayed?



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**Bejoy Arputharaj:** The last time probably it is a different scenario, but now we are closing the projects, and almost everything is in the delivery stages, in the verges of delivery and all, so they have no option but to sit with us and get it delivered. So, it's all under control as Anantharaman say, we have already collected 10 crores, and we are expecting another 30% this quarter, and another 30 to be acquired in the next quarter as well.

**Ronil Dalal:** So, what do you think it would be around by say the end of the year, like 31st March?

**Bejoy Arputharaj:** On an average total 60% will be recovered.

**Ronil Dalal:** I didn't get 60%?

**Bejoy Arputharaj:** Of the total receivable which is outstanding will be collected.

**Ronil Dalal:** Sure. And then that will be the level which we will maintain, is that what I understand?

**Bejoy Arputharaj:** Yes.

**Ronil Dalal:** Sure. My second question is that there has been a slight decline in the revenue on a year-on-year and Q-o-Q basis. So, I just wanted to understand, what were the reasons for this, and also your? So, I am saying that, there has been a year-on-year and a Q-o-Q decline in revenue. So, what were the reasons for the same given that that order inquiries at least, had started to pick up, and would this mean that 150 crore guidance in your AGM, would you be able to still maintain that 130 crore revenue and 40% EBITDA margin, or would you be exceeding that?

**Bejoy Arputharaj:** When the market was down later, but in the last quarter, we started getting again, all the projects started materializing. So, as you all know, we are in the post production phase of the filmmaking. So, after the strike got over, in the July, film production started, and now almost everyone are in the production stage, and they are coming forward with to the post production stage now. So, in the upcoming months, as we expected, there are so many projects that we already have submitted proposals, at least to the amount of 100 crores we have submitted a lot of proposals for the upcoming films, so there is a steady flow in bid request also, so that really gives a lot of confidence for everyone, the market is coming back. So, we are very confident we will be able to achieve between 100 to 110 crores for this closing H2.

**Ronil Dalal:** So, 100 and 110 crores is just for H2 you are saying?

**Bejoy Arputharaj:** No, this year FY24-25.

**Ronil Dalal:** So, between 100, 110 is what you are saying is for the full year FY25?

**Bejoy Arputharaj:** Yes.



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- Ronil Dalal:** Okay. So, just one last thing, if I can squeeze in, that the international business, your Tippett acquisition will be consolidated, I understand in April 2025. So, what is the current percentage of international business, percentage of revenue, and how much or how would it look like post the Tippett consolidation?
- Bejoy Arputharaj:** It's around 60% international business at the moment. We are completely looking at Tippett's projects also. Going forward we are not entirely depending on the western market that is the reason we are expanding in the Asian market as well. China has a great potential. We have signed up a couple of projects, which is very potential already, and we are again traveling back in the coming month to close a few deals there, which we will reveal in the next quarter. So, it's looking very potential the Chinese market. And also we are having a solid plan for the Middle East as well. So, we are working on that. So, in upcoming months, there will be definitely some very interesting announcements coming soon.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.
- Shikhar Mundra:** So, the 110 crores you said for the whole year, so that is not including the Tippett order book?
- Bejoy Arputharaj:** That is not including the Tippett order book.
- Shikhar Mundra:** Alright. So, on the receivable front, I needed more clarity, you said you are expecting to collect 60% of the 66 crore by the end of this year?
- Bejoy Arputharaj:** So, we already collected 10 crores. So, the rest is 56 crores. So, 60% is what we are confidently projecting probably we might exceed that as well. But definitely 60% will be recovered.
- Shikhar Mundra:** Okay, so this is 60% of the 56 crore which is remaining?
- Bejoy Arputharaj:** Yes.
- Shikhar Mundra:** Okay. But still, we will be having 20 crores of these old receivables pending at the end of the year, plus we will be executing new project in this H2. So, our receivable balance sheet will again look very bad at the end of this year, how are we expediting our receivables to improve? Because we will be executing some projects in H2 as well. Again, now they will be pending and plus this 20 crores of the existing projects of receivables will still be depending, on the receivable front. I am not getting clarity and how will we improve our balance sheet exactly?
- Bejoy Arputharaj:** Okay. Actually, the receivables which is the last year which was getting holes in the books. The main reason is because of the writer strikes and all the things. So, now it's getting recovered, the market is getting recovered, the US market and the UK markets. So, we will be collecting it, and whatever we are going to do now for the H2, that numbers are having better milestones as well



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as the better completions will be there, and we will be collecting more, and we will make sure that the receivables will be better than the last year. That's what our plans, although we will maintain less compared to the last year. We are very confident on that.

**Shikhar Mundra:** Okay. But, at the last one month and the projects which we executed in Q2, the last three months how has been the collections in those particular projects in the last?

**Bejoy Arputharaj:** Sorry, come again?

**Shikhar Mundra:** So, the projects which we executed in the last three months, I am talking about the last three months. Now, let us ignore the first three months, because I understand the writer strike impact was there, the projects which we execute in the last three months, how was the collection of receivables over there?

**Bejoy Arputharaj:** We collected around 60% to 70% because we collect on advance basis of the first milestone and the balance, the last 10% which used to go on the final handover of project. So, only that is pending. So, the collection was better in this quarter.

**Shikhar Mundra:** Okay. So, for the 66 crore, can we get a split, how many of these receivers are more than six months, how many are less than six months and how many are less than three months?

**Bejoy Arputharaj:** Okay, more than six months I have a 43 crores, and less than six months is 20 crores.

**Shikhar Mundra:** Okay. No, because that's a feedback because you are saying that things are improving on ground, but it's not reflecting in the numbers at all, because the way the receivables are ballooning up, in spite of making these kind of margins, it's impossible to generate any free cash flows for the company. So, this is like a very serious situation which is kind of going on.

**Bejoy Arputharaj:** I totally understand that, but what we are doing is, we make sure that we are delivering, and we are finalizing the shots and whatever the delivery, deliverable should be happening after that only we will be making an invoice. So, upon the confirmation, so we are little bit getting collections on time, and some because of this, the festival seasons that might be delayed, but by going forward, it will not happen so most probably we will be collecting maximum in H2 itself.

**Shikhar Mundra:** Okay. And your press release talks about the 92% increase in revenue, so I am not able to understand, I am not able to see an increase in revenue. So, I didn't understand that?

**Bejoy Arputharaj:** Okay. Actually, how it works is H1 we are supposed to do 79 crores, in that 35 crores we have realized in the billing part, and we have completed, the balance went into the WIP, work in progress which is having including a margin of 44 crores. So, if that has been added in the 79 crores, the 192% against the September 23, 41 crores which I delivered in last year. So, against that, it's 192% basically.



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- Shikhar Mundra:** Okay. So, this 44 crores is expected to be billed in H2 and apart from that, we will be winning new orders which will complete in H2 so that's the 100 crore order pipeline you said, is that understanding correct?
- Bejoy Arputharaj:** Yes.
- Shikhar Mundra:** Okay, so overall, around 100 and 110 crores of total revenues we are expecting and how much from Tippett are we expecting in H2?
- Bejoy Arputharaj:** 30 crores.
- Shikhar Mundra:** 30 crores. So, overall, on a consolidated basis we are expecting 130 crores of revenues?
- Bejoy Arputharaj:** No, it's including of this, basically what I am trying to say is 79 plus 30, that's an 100 to 110 crores basically. Actually, we have submitted some few bits, which is having an 100 crores value in that 20% of winning the success were there. And if I do that, it will go around 110, to 120 we will be finalizing the numbers.
- Shikhar Mundra:** Okay and for the receivables of 66 crores, how much is it from the foreign clients, and how much is it from the Indian clients?
- Bejoy Arputharaj:** Can you please repeat the question, your voice is not.
- Shikhar Mundra:** For the receivables of 66 crores, how much of it is spending from the foreign production houses and how much from the Indian production houses?
- Bejoy Arputharaj:** Come again, please.
- Shikhar Mundra:** So, for the receivables of 66 crore, how much of it is from the foreign clients, and how much is that from the Indian clients?
- Bejoy Arputharaj:** 40 crores is from the international and the balance it's a local 3 crores.
- Shikhar Mundra:** Okay, got it. And one last question on the Chinese market. So, how are the collection cycle over there, for the players who, if you have any knowledge about the Chinese market, what are the typical payment terms over there and how is the connection cycle over there currently, for players who are executing right now in the Chinese market?
- Bejoy Arputharaj:** It's all the same, we will be trade upfront and then we will be collecting it in the milestones. So, we have with a big production house there, so they are going to take care of all this operational and financial collection than everything for us. And on top of that, the government has ensured





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us to support with all the banking process and all the money transaction related things. So, we are expecting a smooth transaction and the process going forward.

**Shikhar Mundra:** Right. And how much are you expecting to put in as CAPEX in software, investment software CAPEX for the next two years, a couple of years?

**Bejoy Arputharaj:** We don't have that information right now with us, probably we can share it later.

**Moderator:** Thank you. The next question is from the line of Parth More from FinRaze. Please go ahead.

**Parth More:** My first question is about employee retention via distribution of equity stocks. We are aware that you have given some shares to key employees to retain them and help them have an owner's mindset in the company business. But do you have any plans for a formal ESOP policy for employees, and also anything similar policy for Tippett studio employees? I have one more question after this. Thank you.

**Bejoy Arputharaj:** So, we have a ESOP policy being framed as we speak for our employees at Phantom, who have been long absorbed with Phantom. So, that will be done definitely, for sure. And for Tippett, we are planning to give a few shares for the key people from the Tippett management.

**Parth More:** Okay, sure. And till when is this like possible?

**Bejoy Arputharaj:** Probably next year after, next financial year will probably plan August.

**Parth More:** Okay, sure thank you. And my second question is, like we can see the intangible assets have dipped by 2 crores, has been this been due to amortized, or due to impairment?

**Bejoy Arputharaj:** Because of amortization.

**Parth More:** Okay, sure thank you. And what's the split between film, series and commercial revenue from film, series and commercial VFX projects?

**Bejoy Arputharaj:** Right now, I don't have that breakdown exactly with me, but in upcoming calls, I can get you but on an average, a series is somewhere around 40%, 45%, and the films are somewhere between 50%, and commercials are like 5% on an average.

**Parth More:** Okay, sure thank you. And also, just one last question, we appreciate your connections to producers and VFX supervisors in the industry. But also, do we have any plans to grow more people in the company to expand in the market, like building future management who can win contracts for us, like train some key employees, younger employees to be specific, so that we can trust in continued business deal winnings in the long term?



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- Bejoy Arputharaj:** Of course, we are doing that, we are training lot of our, we are identifying talents who have good communication skills, when I mean communication not just the language, but clear communication establishment with us. And we are identifying such talents, and we are grooming them to be an executive producer , the kind of person who can win bids and who can do bids. Also, we are, doing all this soft skill training and other internal training to groom our people. So, Phantom always believes in grooming our own people first and then look for external resources. So, that is what we are doing. We have a very strong management training team as well for the same they are working continuously on that.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Sir just wanted to understand, this year we targeting 100, 110 crores of revenue, and what kind of PAT margin we are looking at?
- Bejoy Arputharaj:** The PAT margin we are looking for 25 to 30 we will be having it.
- Deepak Poddar:** 25% to 30%. And what about the outlook for next year FY26?
- Bejoy Arputharaj:** FY26 we are planning around 35.
- Deepak Poddar:** And in terms of top line as well?
- Bejoy Arputharaj:** PAT will be 35%.
- Deepak Poddar:** And in terms of top line?
- Bejoy Arputharaj:** In terms of top line, it should be around 130 to 150 crores.
- Deepak Poddar:** So, earlier we were targeting much higher number, for next year as well we were targeting close to +200 crores right?
- Bejoy Arputharaj:** Yes, but as of now we are trying to complete this year and looking forward upon the work orders, what we will be receiving in the year, then we will can go ahead with the fore castings on that next year.
- Deepak Poddar:** Okay. But right now, we are targeting close to 150 crores, is what you are saying for next year?
- Bejoy Arputharaj:** Yes, if we include the Chinese and furthermore Tippett projects, and considering that the market is back on its foot what was before, we can positively target for a 200 crore revenue for the next year. But, confidently we can cross 150, 160 is what right now we are predicting.



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- Deepak Poddar:** Okay. But for this year first half performance as well, earlier in the month of September itself, some of the conference we were quite confident that in first half we can achieve 60, 65 crores, kind of a top line as compared to so, what has changed, in one month what has changed that the thing that we were expecting, and it didn't pan out as expected?
- Bejoy Arputharaj:** The market is still reviving, and the kind of projects that we were expecting to materialize is getting delayed so that is the reason.
- Deepak Poddar:** Okay, but I am talking about in the month of September itself, we were of the view that we would be able to achieve 60, 65 crores revenue right, that is about closing the quarter, close to the quarter end?
- Bejoy Arputharaj:** Yes, there are few milestones that we were predicting to be completed at some creative corrections. And, we are reworking on certain stuff so that has a slight impact on this quarter.
- Deepak Poddar:** Okay, but how confident are you about the second half?
- Bejoy Arputharaj:** So, definitely the movie releases are all finalized, and so there won't be any further delay in that. So, whatever we are telling right now is all, the minimal projection that we have. So, that definitely will happen.
- Deepak Poddar:** Okay, because even if we have to do 100 crores revenue at 25%, 30% PAT margin, which you are suggesting, we are talking about 25, 30 crores of PAT. So, ideally, we have done only 8 crores of PAT in the first half. So, which makes it about 17 to 20 crores PAT in the second half, are we confident that we will be able to achieve that?
- Bejoy Arputharaj:** Yes, basically this order which we are going to do in the Tippett, so 30 crores is having a majority of margin which will increase my margin the PAT for me.
- Deepak Poddar:** Okay. And this 44 crores you have already said that that it's about to be billed in the second half?
- Bejoy Arputharaj:** Yes.
- Moderator:** Thank you. The next question is from the line of Amit Doshi from Care Portfolio. Please go ahead.
- Amit Doshi:** Sir our employee cost have been reduced. So, can you explain that?
- Bejoy Arputharaj:** So, we have, reduced certain manpower depending on the projects and necessity. So, we have put them in contract basis so, in order to control the profit margins so we have put few of our employees in the contract mode where they will be coming and working on the project to project



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basis so that way we were able to control the expenses as well, to maintain the profit margin. So, that's a decision management made.

**Amit Doshi:** Okay. So, they have kind of the employment agreement has been terminated, and they have been shifted on a contractual basis?

**Bejoy Arputharaj:** Yes.

**Amit Doshi:** Okay. Sir you mentioned that in your commentary and the in the press release that the work done is 79 crore, but you could not bill that 44 crore extra. So, which you will be billing now, which means that 80 crore is kind of done and dusted. You mentioned that 100 to 110 crore is your annual expectation, top line expectation which includes 30 crore of Tippett. So, do you mean to say that for the next six months, we don't expect as a Phantom Studio, we don't expect to do any work or billing?

**Bejoy Arputharaj:** So, we are not saying that because we have submitted some 35 work orders to the clients, which is having an 100 crore, so that will be adding up, but we are trying to maximize our numbers as much possible, which up to 110 or 100 to 110 crores.

**Amit Doshi:** No, that I understood. But basically, we don't have anything work on hand, is what I am trying to understand.

**Bejoy Arputharaj:** No, we are getting the 30 crores work order right from Tippett.

**Amit Doshi:** That is Tippett, right.

**Bejoy Arputharaj:** We are getting it.

**Amit Doshi:** Okay, so that's something which will be executed by Phantom?

**Bejoy Arputharaj:** Yes.

**Amit Doshi:** I thought we are going to consolidate, those revenues will be merged with the. Okay, didn't quite understand that, but anyway so second part, last concall, of course debtors, again the point of debtors because that is something which is concerning. So, 51 crore was the debtors as on 31st March and you had kept a call in the month of May, and it was told to us that close to 25% or so the debtors have been collected. So, which means that around 38 crore of debtors have been still there as on May 31<sup>st</sup>, now post which and as on 31st March, the inventory was around 35 crore, which means that if I add up 38, 35 so 66 crore debtors which are standing as of now, which means the debtors which have been there since March is still pending, and the revenue is still not been able to get collected. And you have mentioned in past that your credit period is roughly 60 to 90 days. So, this is not going in synchronization so just trying to understand, what are the



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reasons that we go to 180 days and more of credit period when we generally anticipate or the credit period to be 60 to 90 days.

**Bejoy Arputharaj:**

No, as you know the market condition is such, our competitor started giving various deals to the client, something similar, like co-production partnering, or they extended their credit periods, and some even were willing to collect the entire money while they delivered. So, in order to keep our competency with others we had to compromise on certain credit period timeline. So, that is why the delay is, otherwise we were in a situation to lose the project and lose the client as well. So, that is the reason we had to extend the credit period to compete with others. So, that is why.

**Amit Doshi:**

But is it that the client, who is the ultimately whatever it is used in the commercial or advertisement or the movies or the web series, ultimately, is it that they are not able to realize their revenue, and therefore they are not able to pay you, just because a competitor is giving a higher credit period. So, I am just trying to understand the industry dynamics. So, wouldn't it be making sense to kind of holding a debtor for six, eight months rather than that, ultimately he also wants the work to be done. And we at Phantom, boost ourselves for creativity, and the kind of quality of work that we deliver. So, considering that past success that we have seen, et cetera. So, I am just trying to connect, I am still unable to understand why 66 crore debtor is still lying in the books, and our working process as on date is around 47 crore.

**Bejoy Arputharaj:**

So, the projects that we work, the post production works can even extend up to two years of time, depending on the scale of this, so the minimal visual effects post production timeline is somewhere from six months to two years is what we are looking at with the project that we are working on. So, there are a few major projects which we are working on is having such a huge timeline. So, the milestone payment is what we are expecting actually. So, if the movie is getting released on a particular date then it makes sense for them to pay immediately and get it. But since the movie release dates are a bit far away from the milestones they are using this credit period for their internal circulation of money. So, that is the reason the extended credit periods are offered by the competitors, and also they are even ready to compromise on the profit margins as well. So, now to retain our existing clients and relationship we had to offer extended credit period. So, that is what is reflecting here.

**Amit Doshi:**

Okay. And sir any of these work is related to the Netflix project that we have had?

**Bejoy Arputharaj:**

No.

**Moderator:**

Thank you so much. The next question is from the line of Luv Gupta from Counter Cyclical PMS. Please go ahead.



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- Luv Gupta:** I just wanted to understand apart from the 44-crore additional revenue that was booked in the first half. Are there any new order bookings for H2 or is this still an extension from the current order?
- Bejoy Arputharaj:** It's an extension of the current order, which is in my WIP, which will be booked in H2.
- Moderator:** Thank you. The next question is from the line of Ronil Dalal from Ficom Family Office. Please go ahead.
- Ronil Dalal:** So, just have some follow up questions. One is that, that long term debt had moved up, and there was also cash on the balance sheet so raised some money. So, now will that be paid off the long-term debt?
- Bejoy Arputharaj:** Sorry, come again please.
- Ronil Dalal:** I am saying the long-term debt, has that been repaid?
- Bejoy Arputharaj:** Yes.
- Ronil Dalal:** So, the long-term debt as on date, is zero?
- Bejoy Arputharaj:** Yes.
- Ronil Dalal:** Okay. The second is that, Spectre you guys have launched Spectre. So, Spectre as a percentage of revenue for this quarter what would it be?
- Bejoy Arputharaj:** It's basically less than a crores. It is still a baby, just started in July, and it's delivered around the 60 lakhs.
- Ronil Dalal:** Okay and going ahead by the next year supposing as a percentage of revenue, what would Spectre share be like, from approximation as per your projections?
- Bejoy Arputharaj:** 15% to 20% it will be.
- Ronil Dalal:** 15% to 20% next year?
- Bejoy Arputharaj:** Yes.
- Ronil Dalal:** Okay, so just, I also wanted to get a kind of a view, like overall from the summary of all the previous participant questions and the opening remarks, the way I see or understand it is basically that the receivables are quite high, the competitive intensity is also there, and it is affecting the kind of orders we are able to compete for, and there have been, a few occasions



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when the revenue guidance's have not been met. So, why do you think that going ahead over the next six to nine months, one year, things might be different, like what makes you confident that the next one year or two years, it would be probably very different than the situation presently.

**Bejoy Arputharaj:** So, the reason is, as we have told in our previous calls, and now the market was completely market came to a standstill due to the strikes, and this got recovered in the last July. So, after that, everything started coming back. And we ourselves are pitching on a lot of projects, and we are looking at a lot of visibility from the international major studios as well, through Tippett and also our Chinese expansion is really very promising. There is 100 million budgeted VFX film right now in production days. So, it looks very promising the Chinese market. So, we are exploring there as well, and we are also having plans to expand in the Middle East. So, we are very confident with the upcoming projections whatever we have submitted now.

**Ronil Dalal:** Right. Because it's just a matter of that, the competitive intensity as I am understanding from the credit periods offered and receivable days and your earlier comments about the competitors are providing certain benefits to the customer. So, despite growth, the competitive intensity seems to be high and will remain high. So, what are the few things that we can do to say, differentiate ourselves versus the competition, or maybe work with only certain partners who are more kind of, more kind of may be adjusting or accepting of our kind of credit periods. Maybe working with very large studios can be a good opportunity, but it also comes at the cost that they are not paying on time. Any comments on that?

**Bejoy Arputharaj:** No, in the future we are again, we are coming back to our strict financial milestone payment terms with our existing and future plans also. So, since the market had a bit of debt, we were in a position to compromise on certain things. But going forward, we will stick on to our usual credit timelines and when it comes to unique selling point of Phantom, we are already implementing the visual production, pre-production phase of, it's a different vertical for Phantom, and we are getting considerable interest for that as well. And we are, right now we have implemented lot of AI technology into Phantom as well in the production pipeline. So, we have considerably we were able to increase the productivity to 15% to 20%, so that also is a very unique point, and we will be able to deliver faster, we will be able to deliver in a much competitive rate, but with the same quality or a better quality. So, these are all unique selling points for Phantom as I see.

**Ronil Dalal:** Sure. And the employee count on date, what would the employee count be and any hiring plans for the next six months, what is the hiring pipeline if anything?

**Bejoy Arputharaj:** It's around 560 or 570 at the moment, and there are 100 plus employees in contractual basis.

**Ronil Dalal:** No. I meant, is there any hiring plan for the next one month?



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- Bejoy Arputharaj:** Yes, once the project started getting awarded, and when we start getting the input inflows, we will start hiring.
- Ronil Dalal:** Sure, and 570 doesn't include Tippett, or it includes Tippett?
- Bejoy Arputharaj:** No, it doesn't include Tippett.
- Ronil Dalal:** So, that would be separately how many people?
- Bejoy Arputharaj:** There are around 40 people.
- Moderator:** Thank you. The next question is from the line of Parth More from FinRaze. Please go ahead.
- Parth More:** I have some follow up questions regarding debt. We can see that from cash flow from financing activities, that there is increase in short term and long-term borrowings by 76 crores. So, may I know what is it for, increasing debt?
- Bejoy Arputharaj:** Basically, we are taking to the, currently we are taking to the working capital that's why the finance cost is getting increased little bit. And this will not be in the future, for H2 we will be reducing it, it will not be much once our circulation of funds comes in, we will be okay.
- Parth More:** Okay. So, if it is for working capital requirement then, then why the long-term borrowing like 6 crores of long-term borrowing, because we believe short term can be, the working capital can be for short term?
- Bejoy Arputharaj:** We will come back to you on this.
- Moderator:** Thank you. The next question is from the line of Mahesh Pasupathy, an Individual Investor. Please go ahead.
- Mahesh Pasupathy:** I have heard a lot of questions regarding the top line revenue for this year. So, if I am not wrong can we expect 150 crores revenue for this year with a 30% PAT margin?
- Bejoy Arputharaj:** No, as I told already it is, it should be 110 to 120 is what we are expecting.
- Mahesh Pasupathy:** I made a calculation of that myself so, 79 crores from H1 with 45 crores realizing in H2 if I am not wrong, 30 crores from Tippett and you said 100 crores worth of projects which will go ahead 20% comes on to 130. So, is that a safe number then?
- Bejoy Arputharaj:** No actually 79 crores which you are seeing it 35 plus 49 it is, the 79, plus 30 crores will be plus 100, 79 plus 30, 109 and the percentage of 100 crores which is in an order in my hand, that is a 20% success. That is an upper side, but we are expecting 100 to 110 only as of now.





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**Mahesh Pasupathy:** Perfect. And regarding the increased competitions in current projects in the vertical. So, how do you see this expanding like, would it be in the vertical or the horizontal level, as far as Phantom Effects is concerned?

**Bejoy Arputharaj:** I am sorry, can you come back again on this question?

**Mahesh Pasupathy:** So, we have seen a lot of increased competition, in terms of VFX industry, and we have also said that we might be expanding so, as far as the expansion goes, what kind of expansion can we see going ahead, let's be in terms of verticals to the film industry or the gaming industry, so how is that going to be?

**Bejoy Arputharaj:** Yes, as I already mentioned, we are looking at this virtual production as another vertical. So, we have already started delivering content using virtual production. So, we are gaining attraction with new clients to our virtual production department, where we are contributing to the pre-production side of things, and we have also implemented a lot of AI tools which are currently trending in the market, including generative AI and all this other stuff, which is really helping us out in increasing the productivity, because they are proving to be a good tool for increasing productivity. So, such activities are being already done and we are also looking at a couple more other verticals, which I cannot reveal right now, but we are actively working on it in other regions of the world to attract more client and increase the inflow of.

**Mahesh Pasupathy:** Perfect. So, virtual production projects have already been delivered in this FY?

**Bejoy Arputharaj:** Yes, we have started delivering, yes.

**Mahesh Pasupathy:** So, what percentage revenue has been from that different vertical?

**Bejoy Arputharaj:** What?

**Mahesh Pasupathy:** What percentage of revenue has been from virtual production this year, in the first half?

**Bejoy Arputharaj:** No, it is not much but, it is just started. So, we have started delivering and we have started gaining momentum at the moment, I don't think it crossed anywhere around 70, 80 lakhs at the moment, but we have started creating good attraction with that.

**Mahesh Pasupathy:** Okay, and this is in the domestic market, or is it from the international side?

**Bejoy Arputharaj:** It's both domestic and international combined.

**Moderator:** Thank you. The next question is from the line of Arnab Bhattacharjee, an Individual Investor. Please go ahead.



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**Arnab Bhattacharjee:** So, great work on Leo, was really impressed with the work your team pulled off. I wanted to add a fundamental question about reading your business. So, I wanted to know that, should I from now on view Phantom just at a consolidated level, because what you just said was, I understand that Tippett is acting like some, it's a touch point for getting business, but the implementation is happening across so, is that understanding correct for the employees of Tippett as well as the employees of Phantom are correctly, jointly working on that project that you have referred to in your list, is that correct am I understanding correct?

**Bejoy Arputharaj:** Yes. We are actively working together, especially on the projects which comes through Tippett, there are few projects that we took Tippett expertise also into account. So, we have already started working as a single company, and there is a clear pipeline and communication pipeline established, and it's going good.

**Arnab Bhattacharjee:** Okay, I wanted to understand that you have mentioned the 20% hit rate on order wins. Is that a historical hit rate that you have referred to over there and my question is that, since you are building up on efficiency and quality, I believe as well, so I want you to probably target a better hit rate number next year, maybe 22% and like two, three years down, 25% as a hit rate, is that achievable or am I, the order wins entirely based on economies, or are they also based on quality, performance, and all of these terms, and if quality and efficiency as the basis, can you will improve efficiency, do you project higher win rate, or proven going, let's say three, four years ahead, because currently you are working on a pipeline so you are improving efficiency. So, if it's economy based, then I can understand probably it can be difficult. Can you, your view on that?

**Bejoy Arputharaj:** No, as I said we have already successfully implemented a working pipeline between Phantom and Tippett and right now, what we are concentrating is increasing business through Tippett, because as I have mentioned in my earlier calls, what Phantom was billing before is at least three to four times multiplied when Tippett can bill. So, we have the ability to match international standards, and through Tippett, we were able to bring in a lot of such high-profile projects as well. So, combining this strength of Phantom and the legacy of Tippett, we are able to pull in a lot of interesting projects, and we are pitching on lot of interesting projects in the near future as well. So, going forward, we are very confident to achieve the numbers whatever we are projecting and there are possibilities that we will even surpass that projection also.

**Moderator:** Participant has left the queue. We will move on the next. The next question is from the line of Praveen J from Sincere Syndication. Please go ahead. As there is no response from the participants, we will move to the next. The next question is from the line of Shikhar Mundra from Vivog Commercial Limited. Please go ahead.

**Shikhar Mundra:** Just wanted a clarification. We don't hand over the project until the whole money is received. Is that right?



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- Bejoy Arputharaj:** Yes, we usually don't do that, but with high profile clients, there are certain situations that we have to do it, but we do it with any security or something.
- Shikhar Mundra:** Okay. So, with this 56 crores of receivables pending right now, how much of it is, a project which is still, which has not been handed over, and how much of it is, which has been handover?
- Bejoy Arputharaj:** I don't have that information with me right now, but I can provide it with you later, so maybe you can come back to me on that.
- Shikhar Mundra:** Okay. And typically, how long is the post production process for any movie?
- Bejoy Arputharaj:** It can go between six months to two years or any VFX oriented films.
- Shikhar Mundra:** Okay. So, let's say if it goes on till two years. So, some of our receivables might even get stuck till two years?
- Bejoy Arputharaj:** No, that is not possible because whatever the projects that we are expecting these receivables, they are scheduled to release in the upcoming months. So, that is why we are very confidently projecting all these receivables to be collected.
- Shikhar Mundra:** Okay. So, when you said you expected to receive 60% of the receivers. It means 60% of these movies are actually releasing in the next six months.
- Bejoy Arputharaj:** Yes, either it is releasing, or we have been definitely, confidently been given a date for the payment process also by the client. So, that is why we are projecting these numbers.
- Shikhar Mundra:** Okay. And what can be the receivable figure as on date, because 56 crore is the whole receivable plus in this one and a half months you might have executed some project.
- Bejoy Arputharaj:** We might be executed around 10 to 11 crores of the project.
- Shikhar Mundra:** Okay. So, that entire must have not been received. So, still around 60 to 65 crores must be your receivables as on date?
- Bejoy Arputharaj:** Yes.
- Shikhar Mundra:** Got it. And for the second half, you said 44 crore is what, which we have executed in first half, which will be released in the second half, plus 30 crore from Tippett. So, that itself becomes 75 crore, plus there is a, we are bidding for new projects, and we expect to receive around 15, 20 crores. So, shouldn't that the guidance for second half be more aggressive, 80 to 90 crores itself in the second half?



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**Bejoy Arputharaj:** 44 crores I have already done my work, and I am going to release the invoice against that, but for 30 crores, which I am going to do the work, and whatever the bids I have submitted, which will be, might be like awarding in a Q3 or the Q4, the offloading process has to happen to me, and then I will start my working. So, that's the reason it's in the possibility have been given that.

**Shikhar Mundra:** Got it. But that 44 plus 30 is definitely which we are billing in the second half, so that's why?

**Bejoy Arputharaj:** Yes, 100% we will be doing it.

**Moderator:** Thank you. Ladies and gentlemen, due to the time constraint we will take this as a last question, I now hand the conference over to Ms. Chandni for closing comments. Over to you, ma'am.

**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](mailto:research@kirinadvisors.com). Once again, thank you for joining the call. Thank you.

**Bejoy Arputharaj:** Thank you.

**Moderator:** Thank you. On behalf of Kirin Advisors that concludes this conference, thank you for joining us and you may now disconnect your lines. Thank you.