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**Phantom Digital Effects Limited**

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**PDEL:Investor-Meet-Transcript/2023-24**

**November 27, 2023**

To,

The Listing Department  
**National Stock Exchange of India Ltd.**

Exchange Plaza, Plot No. C/1, G Block,

Bandra Kurla Complex,

Bandra (E), Mumbai – 400051

**Symbol: PHANTOMFX**

**ISIN: INE0MLZ01019**

Sir/Ma'am,

**Subject: Submission of Transcript of Earnings Conference Call – Reg.**

In continuation of our earlier letter dated November 21, 2023 informing about the audio link of the Earnings Conference Call and Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, please find attached the Transcript of the Earnings Conference Call of the analyst/investor conference call on Unaudited Financial Results of the Company for the period/half year ended September 30, 2023, held on Tuesday, November 21, 2023.

The same is also uploaded in the website of the Company <https://phantomfx.com/investor/>

Kindly update the above in your records.

Thanking You,

Yours faithfully,

**For Phantom Digital Effects Limited**

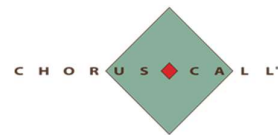
**Pallavi Tongia**  
**Company Secretary**

**Encl: as above**



“Phantom Digital Effects Limited  
H1 FY '24 Earnings Conference Call”

November 21, 2023



**MANAGEMENT:** **MR. BEJOY ARPUTHARAJ – MANAGING DIRECTOR –  
PHANTOM DIGITAL EFFECTS LIMITED  
MR. VIJAYKRISHNAN TS – CHIEF FINANCIAL OFFICER  
– PHANTOM DIGITAL EFFECTS LIMITED**

**MODERATOR:** **MR. BHAVYA AGGARWAL – CAPTIVE IR STRATEGIC  
ADVISORS PRIVATE LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to Phantom Digital Effects Limited H1-FY24 conference call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavya Aggarwal from Captive IR Strategic Advisors Private Limited. Thank you. And over to you, Mr. Aggarwal.

**Bhavya Aggarwal:** Thank you. Hi. Good afternoon, everyone. On behalf of Captive IR Strategic Advisors, I would like to welcome you all for the H1-FY24 Earnings Conference Call of Phantom Digital Effects Limited. From the management team, we have with us Mr. Bejoy Arputharaj, the Managing Director, and Mr. Vijaykrishnan TS, the Chief Financial Officer of the company. Over to you, sir.

**Bejoy Arputharaj:** Yes. Thank you so much, Bhavya. This is Bejoy Arputharaj, I'm the Managing Director of Phantom Digital Effects Limited. So thanks for hosting us today for our Q2 and H1 Earnings Conference Call. Good afternoon. We are pleased to welcome you to the Q2 and H1-FY24 Earnings Conference Call.

It is with great enthusiasm that we share with you the remarkable achievements and developments that have transpired over this period. Before delving into the detail of our achievements, I would like to briefly introduce our company. Commenced in 2011, Phantom Digital Effects boasts over a decade of experience in the creative realm of visual effects industry.

We are committed to deliver high-quality, industry-standard content to clients globally. Positioned at the forefront of India's creative VFX service providers, we hold a prestigious TPN certificate ensuring a data-secure environment that aligns with the stringent criteria set by the Motion Picture Association. We provide comprehensive services, cover a spectrum of capabilities, including final shot compositing, 3D element creation, life-like creature and environment designs, and many more for commercials, feature films, and web series, helping them at pre-production, production, and post-production phase.

Operating from our three state-of-the-art studio spaces in Chennai (our headquarters), Mumbai and Hyderabad, we extend our reach globally through our marketing teams in the USA, Canada, and the UK. With a workforce exceeding 650 employees, we have successfully delivered over 250 projects and 3,000 shots, earning approved vendor status and esteemed content providers like Amazon, Walt Disney, and Netflix, underscoring our international presence and acceptance by renowned content providers.

Our dedication to excellence has been praised and awarded with many honors for our work over the years, such as Best VFX Award for Project Dangerous, Project Blue Book, Best VFX for Nippon Paint, Fastest Growing Indian Company Excellence Award, and Company of the Year Award.



Business updates. In H1 FY24, we strategically expanded our presence both in India and globally.

We signed a groundbreaking deal with a major OTT, a global leader in providing unparalleled content in streaming platforms. This momentous agreement is worth a minimum of INR1,200 million to be executed over four years and is open to expansion through mutual discussion among the parties.

Secondly, as a part of our strategic growth plans, we established a wholly owned subsidiary named PhantomFX Studios Ltd. based in London, UK. Through this, we plan to cater to diverse business segments such as visual effects and animation.

Our international revenue mix increased from 26% in H1 FY23 to 32% in H1 FY24. With plans to further shift this to 70%, showcasing our commitment to the global market. Further, the upcoming film *Ayalaan*, which features the highest number of CGI shots, 4,500 shots approximately, is one of a kind full-length live-action film with intense action shots and creative storytelling. The sheer scale and complexity of this project demanded the highest level of technical, proverse innovation and creativity from our talented team of artists and technicians.

The film's teaser was recently released and evoked a positive response for the superior work quality that we have done. To meet the growing demand, we have expanded our studio space. We have expanded our Chennai studio by 13,200 sq.ft., bringing the total space to 35,000 sq.ft. The strategic expansion allows us to increase our seating capacity by 180 seats, elevating our total capacity to accommodate 830 employees across all studios. This expansion aligns perfectly with our goal of reaching a combined workforce of 1,000 employees.

Coming on to our financials, we have achieved revenue from operations of INR 410.73 million in H1 FY24 against revenue of INR 260.46 million in the same period, last year, showcasing a growth of 57.69%. Our EBITDA grew by 46.87% in H1 FY24, coupled with growth in PAT by 29.49% in H1 FY24. Looking ahead, we are planning to enter into animation and gaming business segment that will position us to serve a broader spectrum of industry.

Simultaneously, our R&D team is dedicated to developing software that fosters seamless collaboration between our team and AI, enhancing our capabilities through synergies. Further, we are also actively exploring inorganic growth opportunities that will complement our core offering, enable us to offer more specialized and efficient services. In conclusion, we are genuinely excited about the future of Phantom Digital Effects.

Our dedication to quality, innovation, and client satisfaction remains unwavering as we continue to push the boundaries of what is achievable in the dynamic world of digital effects.

Yes, I am done with my introduction here now, Bhavya, over to you.

**Moderator:**

Sir, should we open the floor for the Q&A session?

**Bejoy Arputharaj:**

Yes, we are open to Q&A.



- Moderator:** Thank you very much, sir. We will now begin the question and answer session. The first question is from the line of Swapnil Kabra from SK Enterprises. Please go ahead.
- Swapnil Kabra:** So, sir, my first question was with respect to the growth guidance that we have for FY24 to double our revenue with FY23 at least. So, can we do a top line of INR110 crores or INR120 crores approximately by FY24?
- Vijaykrishnan:** Yes, I think this is Vijaykrishnan here, the CFO speaking to you, Mr. Kabra. So, we expect the year over increase to be in the range of 75% to 80%. So, which means that we could look at a top line growth of around INR90 crores to INR100 crores for FY24 at this point of time.
- Swapnil Kabra:** All right, sir. And, sir, can you give us an update about the total employee count right now? And what is the medium to long term aspiration with respect to the employees?
- Vijaykrishnan:** Can you please repeat the question? Sorry.
- Swapnil Kabra:** Sir, what is the total employee count right now? And what is the aspiration for medium to long term with respect to the total employee count?
- Bejoy Arputharaj:** Okay. So, we are around 650 people right now. We are projecting to grow up to a thousand in the next six to eight months. So, that is what is projected. You asked about the retainership of employees?
- Swapnil Kabra:** No, sir. I just wanted to know our aspiration to grow the employee base in the future. So, what plans do you have?
- Bejoy Arputharaj:** It depends on the business, right? We have quite good business and, of course, we are expanding in the North American and European region. So, there are more projects coming in. So, obviously, we will need more workforce to tackle all these new incoming projects. So, we are in the growth phase. So, we are constantly hiring and we will be expanding more.
- Swapnil Kabra:** Just a follow up on this. Do we have any internal software or any technology to track the efficiency of employees?
- Bejoy Arputharaj:** Yes, we have developed our own production management software. And we have our own employee software, CRM, something similar to CRM. So, we are evaluating all the employee performance through that software and all this, even the increments and everything happens through that software. That's our own product of that.
- This has been developed over the years. For the past four, five years, we've been developing something and right now it is in a very good stage. And we are still improving its capabilities using AI as well.
- Moderator:** The next question is from the line of Pranay Jain from DealWealth Capital. Please go ahead.
- Pranay Jain:** Congratulations, team, on a robust first half. I wanted to get a sense of what is our aim as we expand our team and also our footprint geographically in hitting the top line as well as the



margins over the next couple of years? As you have said that international revenue contribution could be about 70%. So, I'm assuming that things are only going to look stronger from here on?

**Bejoy Arputharaj:**

Yes, of course, because we have clearly established our presence in the past and we have built a very robust sales team as well throughout the American continent and the European continent. And wherever we have gone in the past one year, there has been a tremendous welcome from everyone.

And everybody is so excited to see an Indian studio who has done this extensive VFX work. Because we have knocked almost all the major studios in Hollywood. And the first thing that we hear from everybody is that we never knew that an Indian VFX company can do such good VFX work.

Because they have seen more process-oriented work so far. But what Phantom has done is more of creative work. And in the recent past, we have done so many interesting projects that have built our showreel into a very remarkable reel of our work. Everybody is so excited to see what we have done in the past. And there have been many deals that have been broken as I speak.

**Pranay Jain:**

So, what is the revenue and margin aim over the next couple of years?

**Vijaykrishnan:**

I think FY25, we are looking at anywhere between INR135 crores to INR150 crores of top line. And we expect EBITDA margins to remain at the 35% to 40% level. And PAT margins of around 25% to 30% at this point of time.

**Pranay Jain:**

And of the team expansion that we are doing, how much is going to be overseas, whether it is Canada or US or UK?

**Bejoy Arputharaj:**

Sorry, come again.

**Pranay Jain:**

If you are going to have 1000 people, including artists, over the next 6 to 8 months as you indicated, how much of that is going to be in the overseas areas like West, Canada and UK?

**Bejoy Arputharaj:**

Mostly in the US and UK is what we are looking at. We are trying to build a small creative team there. We have already hired a few people in US and we are in the process of hiring people in UK as well. So, it will be a very small number. But that is actually being planned so that we can keep our expenses relatively low. And more of execution will be happening from India. So, more of creative and supervision team will be there in the American and European continent.

**Pranay Jain:**

But are these VFX supervisors, are they pre-visualization guys? What is the kind of talent we are looking at overseas?

**Bejoy Arputharaj:**

See, the thing is we don't need any pre-visualization or other technical people there. They are there because we have more than efficient people here in India itself. So, we are just looking at a few good supervisors and good producers who can help us out with client handling and VFX company. And probably a few technical supervisors who can help us out in project development and all.



That is what we are looking at. Because Phantom has a great ability of technical aspects already. And we already have a couple of supervisors who are working from Vita and other major studios with us. So, we don't need any more people in terms of artistic level. But we will be hiring more people in terms of client facing and client handling.

**Pranay Jain:**

Okay. And before I get back in the queue, if you could give us a sense of what your order pipeline is looking like over the next 6 months. Since the strike has ended, if you could tell us what are the bigger projects that you are most excited to work about. And since you already gave some example of a 500-shot project, something like that if you could qualitatively and quantitatively elaborate. So, we get the kind of work that we are doing in terms of not just better quality or greater scope. And something which is more margin-occurring, higher value?

**Bejoy Arputharaj:**

Yes. We are actually working on a lot of things. Being a creative studio, we are working only on the creative content as you all know. So, we have already delivered so much of work in both domestic and international market. We have created so many environments. We have created so many action sequences with lot of vehicles and all this. What is not possible, practically everything is being done here at Phantom.

We recently delivered a show with heavy car chase sequence where we created a lot of vehicles and complete environment and stuff. And we are recently working on a show in which we are creating an alien world, a spaceship and other stuff. And there are few upcoming projects which we are talking has some creature works.

So, it is more of a creature-based movie where you see people being chased by creatures and all this typical Hollywood stuff. But we are all doing everything in-house. Most of the projects are awarded completely for us right from the scratch. So, we are developing from the previous till final delivery. We are already working on many interesting projects.

**Pranay Jain:**

You have mentioned of the movies because presently we don't know how much of a revenue is coming from movies compared to OTT shows and commercials. So, if you could give us a spread?

**Bejoy Arputharaj:**

We are not in a liberty to reveal project names at the moment. There are various reasons for that. Mostly, the client doesn't allow us to reveal any of that information in public till we complete that project. So, a couple of projects we worked on in the past. We worked on this movie called Leo where we created a complete car chase sequence which was very much applauded by all the technical people around and the film making industry.

We are also working on a film called Ayalaan where we are creating aliens and space ships and all the alien world and a lot of environment and stuff. We recently worked on a TV series called Kaala Paani, which is applauded throughout the country. It was released in Netflix which had a lot of visual effects. It is all invisible visual effects. Even Netflix applauded us for that work. There are future projects where we are working on creating talking dogs and as you said creatures and stuff which I cannot reveal right now. But as the time goes by, I will definitely reveal that.



- Vijaykrishnan:** So, just to add further Pranay, if you look at the current revenue structure, most of the revenue comes from movies I would say in the range of 70% to 80% followed by OTT and then commercials. So, we expect this proportion to change as we make more forays into the international market in the future.
- Pranay Jain:** So, OTT is how much approximately?
- Vijaykrishnan:** OTT would be about maybe roughly around 10% to 15%.
- Moderator:** Thank you. The next question is from the line of Sahil Sharma from SS Capital. Please go ahead.
- Sahil Sharma:** Sir, congratulations on good numbers. If we look at our inventory that has increased from INR7.5 crores to INR18 crores in September 23. Can you please explain the reason for the same?
- Bejoy Arputharaj:** Yes, I think some of the projects that we are working on were actually unbilled as of 30th September. So, that is how you see the spike in numbers. So, we expect to close the revenues for these projects in the following two quarters. So, it should stabilize in Q3 as well as Q4.
- Sahil Sharma:** Right, sir. And if we look at the receivables as well, those have actually increased from INR16 crores to INR22 crores. And again, wanted to understand this like this is like a one-off or in general we should expect that inventory and receivables can remain pretty high even in the future?
- Vijaykrishnan:** No, definitely this will ease. Just to help you understand, I think the receivables have come down by about INR2 crores as compared to Q1 of FY '24. If I have to refer April to June. But if you look at the overall breakdown, I think less than 45 days is almost equal to 70% of the overall receivables that you see as of September. And a good amount of follow-up and collections have happened in the next 45 days between October 1, till November, right. But the numbers will definitely come down as we go forward.
- Sahil Sharma:** Okay, sir. And sir, I was wondering on our expansion plans in USA. Have we made any progress on hiring any senior talent in USA for like heading and expanding? And how are we seeing that scaling up? How much could it contribute this year, next year and so forth?
- Bejoy Arputharaj:** Yes, we have hired a few major players which we will reveal once they join. So that announcement will happen soon. That is going to create some remarkable difference when it comes to client-facing people because they have their own reputation in the market. So that will add-on value for sure.
- Sahil Sharma:** Sir, last question from my side, sir. Can you please talk a little bit about the risk of generative AI models? And also you alluded that we are also using AI in some internal products. Can you just share how we are using it? And just to make sure that we are ahead of the curve or basically, what are we doing to ensure we don't get disrupted by this kind of technology?
- Bejoy Arputharaj:** Yes. So when it comes to AI, it is still under what I say is like in a baby steps. It is not yet there to create or replace something entirely visual effects. But what we are using AI for is like we are trying to reduce more of our manual efforts where we put a lot of man-hours repeatedly or some





less creative work which we call process-oriented work. So we are trying to build some systems where we can reduce this manual work and get it done by AI. So we have already implemented AI successfully in so many aspects of it.

We have started using AI in rotoscoping which is a process-oriented work. We have already started using AI even in the concept stages. Certain concepts are being drafted initially by AI and then our artists are taking forward from there. And then we are using it in paint and we are using it in some 3D asset development as well. But it is still in a very baby step stage actually. So it is not going to completely replace any creative industry as I see going forward. It will just help our industry to make our products more better and deliver our clients a better product in a very quicker way. So that is what I am seeing.

**Sahil Sharma:** Thank you sir. I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Ashwin from DS Investments. Please go ahead.

**Ashwin:** Yes, thanks for taking my question. So the question is that, so I see now that we are getting into the production business. The production and the distribution part of it. I believe for Ayalaan there has already been a payment that has been made of INR17 crore. Just want to see how the management is viewing this side of the business and how critical is it going forward? And just want to get a sense of does it introduce an element of seasonality and lumpiness to the business now that you are getting into production?

**Bejoy Arputharaj:** Yes, see the thing is getting into production in the sense we are not completely getting into movie production till date. What we are doing is we are co-producing things. This actually gives an edge over our competitors to bag in more projects. And since Phantom has a very good track record of delivering projects on time, people come to us. And this gives an edge when you offer them this co-production model. And it also increases our possibility to increase the profits as well.

So that is one reason we have got into this. And yes, of course, we will be going into a full production mode in the near future. These are all additional add-on values that brings on to the table actually. The more films that we get involved, the more the brand name gets established. And that is the way going forward. And almost all the major studios are doing it already. So we don't want to be left behind on that. So that is one major reason we are into the co-production and production sector.

**Ashwin:** Understood. Just one other question. So I believe we are looking to raise about INR60 crores through QIP. So this basically entails to a 20% to 30% kind of a dilution, which is quite significant. And just want to understand what kind of opportunities are we seeing that requires such a large capital raise? And where these funds are we looking to deploy? What opportunities are we looking to tap into?

**Bejoy Arputharaj:** So I told you, we are developing a lot of tools and software. So we are heavily investing on technology and infrastructure as we speak. And unlike other companies, we are into high-end creative stuff. We are creating creatures and environments. So it demands heavy computing power. And every year, as you know, there is a huge updates and technological updates on the



hardware and software side. So we have to heavily invest on that to be on top of the whole technology and to be competitive as well. So that is one main reason we are raising these funds.

And as you know, we are expanding in the North American and European region. So we are hiring more people from these areas as well to increase the business scope. So that is one major reason. And the co-production model also has its own demand of investment as well. So that is also playing a very major role in this.

**Ashwin:** Okay. Just one follow-up on the co-production side. What is the payout structure in terms of the co-production side? In terms of if you can just walk through the different models and what are the specific aspects are we looking at? Are we looking at a fixed way of selling it to a distributor? Or are we looking at taking a share of profits of the business of the movie?

**Bejoy Arputharaj:** It mostly differs between project-to-project. So as of now, we have involved in distribution rights. So we get almost all our payments getting done before the movie release. This is what we are following. And there are some cases we have to wait till the movie hits the theatres. And then maybe in the first few weeks, we will be able to recoup the money. And when it comes to co-production, you have the IP credit as well. So you will also be able to recoup more profit through royalties as well. So there are many different models when it comes to this business. So there is no definite model for this as of now, we are time-to-time and project-to-project basis, we are deciding on this.

**Ashwin:** Understood. Thanks so much for answering all the questions.

**Bejoy Arputharaj:** Sure.

**Moderator:** Thank you. The next question is from the line of Rahil Dasani from Mittal Analytics. Please go ahead.

**Rahil Dasani:** So first of all, good afternoon, sir. So I have been talking about production before. So I wanted to understand, you said there are various ways in which we can play this out. But what is it for Ayalaan? What is the overall project size for Ayalaan? And when can we start expecting numbers coming in from that project?

**Bejoy Arputharaj:** Yes, so Ayalaan, after the contract signed up with the customer and the work done so far, we expect to have the receivables collected latest by the movie release date, which is January 2024. We also expect some inflows in this quarter as well.

**Rahil Dasani:** And what would those numbers be exactly?

**Vijaykrishnan:** INR23 crores is the value that we are seeing as of September. And we expect these to be collected in the coming two quarters, latest by January '24.

**Rahil Dasani:** INR23 crores, you said?

**Vijaykrishnan:** Yes.



**Rahil Dasani:** Okay. And just on AI, just like the last participant was asking, so I could also see that Basilic is getting into some copycat tech to replace Roto works. I understand you said it's in baby steps, but can you speak more about this? How is it already replacing the workforce? What are we doing exactly in this? What's the efficiency?

**Bejoy Arputharaj:** Can you please repeat the question?

**Rahil Dasani:** So just on AI, you were speaking that you all are using AI for not so creative work. So Basilic also is using some copycat tech to replace the Roto employees. So like, could you talk about how is it changing the sales in favor for you? How is it increasing efficiency? I know it's in baby steps, but if you could like help us out more here?

**Bejoy Arputharaj:** Yes, it is actually one of our recent major OTT platform client. We tried this Rotoscopy AI and it reduced 70% of the work already. So regarding the copycat, it's a plugin that comes default with one of the software that we use. So I'm not sure what tool you are mentioning, but that is that the copycat tool is something that is in existence for the past two years with the default software that we use for Rotoscopy. So I'm not sure what other people are doing with it, but we are using a lot of tools already that exist. And also we have developed some in-house tools to improve the productivity and that has actually reduced 70% of our existing workforce in Roto.

**Rahil Dasani:** So 70% of Roto work is being done by these tools you are saying?

**Bejoy Arputharaj:** Yes, yes.

**Rahil Dasani:** So how is it?

**Bejoy Arputharaj:** On top of it, we have to invest a lot of man-hours. Of course, it will not completely replace the Rotoscopy as of now, because every shot will have some -- like for example, there will be multiple layers in every shot. So this software that helps you, to give you, for example, if there are four layers that you have to do on this, this will get you two or three layers. So the fourth layer, of course, which is in very detail has to be done by manual job. So that is still there.

**Rahil Dasani:** And how is this AI or technology changing the workforce or workforce structure?

**Bejoy Arputharaj:** Yes, as I said before, the less creative jobs are being reduced. And that actually helps us to deliver projects in a very faster way. Because these are all very time-consuming jobs which demanded a lot of manpower previously. And that actually created a lot of bottlenecks, but that is being taken care of by this AI. It is reducing at least 50% to 60% of the effort that we are putting in and the workforce as well.

**Rahil Dasani:** Okay, so when you say the workforce structure is changing, are you laying off these employees or are we trying to upgrade them to create a work?

**Bejoy Arputharaj:** No, we already -- in Phantom, we already had a very less number of rotoscoping and paint work team. Because we were using some outsource models before and we were actually having a team for our own requirements. So we were not majorly into the outsource model like many other companies. So we never needed that many number of rotoscoping and paint people. So we have a



very less number of people and we are planning to upgrade them into other departments. So in-house trainings are happening. We are upskilling them. So we will be observing them. The eligible candidates will be observed in other departments. And probably, we will be retaining the remaining people for the rotoscoping and paint work that is needed in-house.

**Rahil Dasani:** Got it. That was helpful. Secondly, previously you told me around 70% to 80% of the numbers are from films and the rest is from OTT. And you said as you shift to Hollywood, this number would also change. So do you somewhat mean to say that you will be favoring OTT as you shift to Hollywood?

**Bejoy Arputharaj:** OTT for Hollywood or Bollywood that you mentioned?

**Rahil Dasani:** No, you said, as the Phantom shifts to Hollywood, the 70% to 80% revenues which are coming from films, this ratio will change. So would that ratio be in favor of OTT or in favor of commercial?

**Bejoy Arputharaj:** Yes. So commercials also we are looking at. But as of now, OTT and film is what we are concentrating more. And the more we move into the international market, we are looking at direct production houses awarding us a lot of work already. And every OTT house is one way or another involved with production houses as well. So we cannot just separate and look into OTT and production houses differently. Because almost all the production houses now have their own OTT platforms. For example, Disney or HBO, everybody has their own OTT platform.

So we cannot differentiate anymore like OTT and production houses. But of course, the major players when it comes to OTT is Netflix, Amazon and Apple, we are closely working with a lot of shows with them. And we are also working with a lot of direct production houses as well.

**Rahil Dasani:** Okay, that is helpful. Lastly, just to confirm the FY '25 number, the management guidance for INR135 crores- INR140 crores and approx. 35%-40% EBITDA margins, right?

**Bejoy Arputharaj:** Yes, that's right.

**Rahil Dasani:** Okay, got it. Thank you. That was helpful.

**Moderator:** Thank you. The next question is from the line of Aditya Surana from Niveshaay. Please go ahead.

**Aditya Surana:** Good afternoon, sir. As we know, the strike is over. So, I am interested in understanding the impact of the strike on the company. Could you please share the outcome of the strike? And additionally, are new orders from the Hollywood business begun to come in?

**Bejoy Arputharaj:** Yes, of course. The strike has reflected in the business slightly because there were pre-signed orders that were supposed to come in on this half yearly. It has been slightly postponed because they were not able to finish the shoot on time. Also, a lot of competition in terms of domestic market has come into play because all these people who are completely dependent on the Hollywood film market ran out of projects and they had to pitch in on some domestic projects as well.



That actually created an additional competition when it comes to winning the projects. But since Phantom had a very strong base and client relationship, we were able to manage the existing projects and clientele. Yes, of course. Some new projects that we had in pipeline have been slightly pushed to the next quarter.

- Aditya Surana:** Sir, with which big production houses, companies do we have strong relations?
- Bejoy Arputharaj:** I think that is a bit confidential, which I cannot reveal. In the public forum, probably we can connect in person and we can discuss about it.
- Aditya Surana:** Okay, sir. Sir, do we receive any tax benefit in UK, US or Canada? If so, what are they?
- Bejoy Arputharaj:** Can you please repeat the question?
- Aditya Surana:** Do we receive any tax benefit in US, UK or Canada? And if so, what are they?
- Bejoy Arputharaj:** Tax benefits?
- Aditya Surana:** Yes, tax benefits?
- Vijaykrishnan:** We are currently evaluating the same. We are aware of certain benefits that are available but we will have to evaluate them as we go forward.
- Aditya Surana:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Aditya Shah from CJ House. Please go ahead.
- Aditya Shah:** Hi, sir. Just wanted to know the break up between domestic and exports for the quarter?
- Bejoy Arputharaj:** We are at around roughly 70%-30% domestic and international for the first half of the year. Yes.
- Aditya Shah:** Got it. Sir, couple of our other listed players, even though they had the writer's strike and only focus on international, have been able to grow quite faster on a quarter-on-quarter, year-on-year basis. Just wanted to understand, what is stopping us from growing at the same level on the export side?
- Bejoy Arputharaj:** We cannot comment on others' performance but when it comes to Phantom, we are not into the non-creative space. We are in the creative space and that creates a lot of dependency from the shoots and the production houses. The production houses have completely put a lot of projects on hold. That is one major reason for us.
- Aditya Shah:** And do we see that impact to continue going forward? Now, the writer's strike and the ...
- Bejoy Arputharaj:** No, everything is cleared and we have already started getting green lights from almost all our clients.
- Aditya Shah:** But the revenue – because there would be a gap between when the production starts and you get the project to do your VFX on. So, the stopping of the production impact will come to you later on. Are we seeing that or are we getting the revenues as well?



- Bejoy Arputharaj:** No, the first quarter everything will be sorted out, that's what we are expecting. We have already started getting contracts and other procedural stuff. Since, Phantom is involved right from the pre-production stage, we will be getting into the production right from where they start. We will not be waiting for -- not every project needs to be waiting till it gets into post for Phantom.
- Aditya Shah:** And, sir, how many offices have you set up outside of India already? And may be some numbers sense as too, how much you are setting up the offices outside India has actually helped in terms of growing the topline?
- Bejoy Arputharaj:** We have offices in Vancouver, Los Angeles, Dubai and London. Of course, these offices have helped us in many ways. The clients have credibility towards Phantom. Because when we meet people, they say that every day they get emails from India saying that it's a VFX company asking for work. When we have presence in their city or town, it definitely adds value. That has remarkably increased our visibility towards our clients. And we are hiring people in every station as we speak. That is also helping a lot in terms of building credibility and building a phase for Phantom.
- Aditya Shah:** All right. Are we hiring people who have already been in the industry and in these places and have the connects or is it fresh hires and we'll groom them?
- Bejoy Arputharaj:** No, we are hiring people from the industry itself.
- Aditya Shah:** And, sir, the last question here. With Roto and the basic laborious work getting slowly replaced by AI, are we seeing this risk that a lot of the other guys were not into creative such as how we are? The other guys will face a reduction in business on this Roto green screen part. They will upskill and get into creative and create competition for us?
- Bejoy Arputharaj:** I would say that, it will take at least three years-four years for them to reach what Phantom has achieved so far. There is a track record needed to bag any big project. There is credibility that you have to build and the quality consistency that you have to build. That is not very easily done. So, I am not seeing any competition immediately at least for next three years-four years by the new players.
- Aditya Shah:** Fair enough. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Manan Shah from Moneybee Investment Advisors. Please go ahead.
- Manan Shah:** Hi, thanks for the opportunity. What is the current investment that we have done into Ayalaan and where does it sit in the balance sheet? Does it sit in the inventory or in the other current assets?
- Bejoy Arputharaj:** The number for Ayalaan sits in the other current assets in the balance sheet to the extent of the work that has been done so far as receivable.
- Manan Shah:** And what would that be?
- Vijaykrishnan:** It is about INR23 crores.



- Manan Shah:** Do we expect any more investments into this or it is done now?
- Vijaykrishnan:** We are working that out. I think, it is currently being reviewed because the movie is slated for release in January. Some amount of work will definitely happen. So, there could be some amount of further amounts which will happen which is being currently under review.
- Manan Shah:** Okay. You also mentioned to one of the earlier participants that we are expecting around INR23 crores of receipts for this Ayalaan. Over and above this year, we are also expecting some profit share as well?
- Vijaykrishnan:** No, I think this is only towards the VFX work that we are doing for the customer at this point of time. Basically, he ran into financial trouble and that is how we got into this co-producing arrangement. But the receivables are purely for the VFX work that we are carrying out for this project.
- Manan Shah:** Okay. So, we would make our normal margins on this investment as well?
- Vijaykrishnan:** Yes, just like any other project, we would have the margins as well as receivables.
- Manan Shah:** Okay. Understood.
- Bejoy Arputharaj:** We have already contracts in place actually. We have already contract in place for distribution overseas.
- Manan Shah:** Okay. Understood. My next question was, I believe the share of the creative revenue that we have would be substantially higher than the Roto revenue in our mix compared to other studios. But when we are guiding in terms of margins, they are at a similar level as to what others also make.
- I mean, given that we are doing something which is more challenging and more creative, shouldn't that translate into higher margins than what others who are primarily into Roto work are making?
- Bejoy Arputharaj:** Yes, it will definitely. Over the period of time when we are getting into more of international business and more of triple-A kind of films, so that margin will definitely increase drastically. It's what we see here. And as we spoke with a lot of major production houses, everybody is very much willing to award us a lot of creative work because we have a very strong track record of solid CGI work and solid creative work. So, now they have seen what we have done already and what we are capable of. So, I believe that this is going to be a very time sensitive thing. Like in a short span of time, this will all change, so what we've change into.
- Manan Shah:** Okay. Understood. Thanks. I'll come back in a bit.
- Moderator:** Thank you. The next question is from the line of Pratik Kulkarni from Kamayakya Wealth Management. Please go ahead.
- Pratik Kulkarni:** Hello. Hi, sir. Good afternoon.



- Bejoy Arputharaj:** Good afternoon.
- Pratik Kulkarni:** Sir, in the beginning of the con call, you said that you are looking for inorganic opportunities. So, can I know what are your specific criteria for the companies which you are looking for? And also, are you looking for opportunities in India itself or any other foreign companies like Canada, US or Europe?
- Bejoy Arputharaj:** We are looking at acquisitions. As of now, we have brokered a deal with a couple of companies. So, the fund that we are raising will be going towards that as well. So, right now, I am not in a liberty to reveal who they are. Once the deal is sealed off, I will probably reveal it. But that is for sure going to add more value to the brand because these are two different new verticals, not into VFX. So, this is definitely going to add value to what Phantom has built over the years and this is definitely going to build the very big – create a very big wave in the market.
- Pratik Kulkarni:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Pranay Jain from DealWealth Capital. Please go ahead.
- Pranay Jain:** Yes, I wanted to get a sense of the INR120 crores deal that we have signed with Netflix. How much of this is going to be episodic content versus movies? And do we have some visibility whether a lot of the content could be international or is it going to be mostly for Indian audiences? And if you could just tell us whether numbers are going to materially start changing from FY'21 or we are expecting a lion's share of the revenue to come back-ended of this four-year deal? I mean, just wanted to understand what is the understanding we have on the numbers and are the margins also going to be similar at present level or we have some more in the room here?
- Bejoy Arputharaj:** Yes, the margins definitely will be similar or more. It will not come down for sure. And regarding the projects, it is going to be both international and domestic. That's the kind of understanding we have with this OTT. And they have already started giving a lot of projects for bidding and a lot of projects are awarded as well. So, as we speak, we are bidding on three, four projects and like many improvements are happening as we speak. And regarding this international, we are constantly in touch with other players as well for similar deals. So, much more good news to come.
- Pranay Jain:** Okay. So, aside of this, we also announced some INR6.2 crores worth of orders out of which one is going to be a INR4 crores kind of thing. So, when do we expect contribution from this?
- Vijaykrishnan:** It should happen very soon, I think. This is what we are expecting in the next coming quarters and we are hoping to be there.
- Pranay Jain:** You are expecting collection this fiscal itself?
- Vijaykrishnan:** Yes. In this fiscal or maybe it could also spill to the next fiscal. We will have to see how we sort of look at it as we move forward.





**Pranay Jain:** And about the capital raising, we are looking to conclude it in this quarter so that we can start investing in the acquisition as well as the software or tools that we are building. Because I wanted to get a broader sense that this is going to be used for some long-term growth. So, what are we going to use this differently for? I believe we are going to, as it is using licensed software and every studio has its own special thing.

For example, Pixar will have a RenderMan for rendering and Presto. So, are we like building some rendering engines or server farms for higher FPP content in US or so forth? Because that is going to be the requirement in the future. So, what is really our investment going towards other than this acquisition and some outposts in foreign geographies? How much is really going in software development and anything in server farm or rendering?

**Bejoy Arputharaj:** I cannot give you a breakdown right now. But of course, as I spoke earlier, a lot of investment is going towards technological advancement. And we are – we already have so many tools developing now. But we are completely automating so many man-hours, taking repeated jobs and we are trying to reduce all these process-oriented works. Letting the creatives do only the creative work but not spend their time unnecessarily on other manual jobs.

So, that is what our motive is here. So, that will be increasing the productivity as well. For example, when we brought in this new tool set that we developed recently, that showed us at least 8% to 10% of increase in productivity. So, that kind of improvement is happening when we invest ourselves in technology and that is what we are doing right now.

**Pranay Jain:** So, these are licensed tools or are we taking some open source software and customizing it for our requirement?

**Bejoy Arputharaj:** It works multiple ways. We are using some codes that are being shared and we are buying out some research papers and we are building stuff from that. So, it depends on the need and the necessity of it.

**Pranay Jain:** Lastly, how transformative is this foreign, gaming and other areas going to be in the long term for us? Because it requires a certain level of expertise, talent and some track record as well. So, what exactly are we pencilling from this over the next two to three years? What investments will it take and what opportunities are we already targeting through some inorganic targets and other talks that we have had with prospects?

**Bejoy Arputharaj:** The invention of software itself to reduce manual work. Of course, when we invest more on development of software and tools and AI, it is definitely going to reduce the kind of man hours that we are investing on certain jobs and that will definitely increase the productivity. So, the quantum will be increased. The quantity of what we are delivering to the client will be increased. So, the business also will be thriving. So, that is the ultimate motto for investing ourselves more in technology. I think we have only three minutes left. If there is anybody else, we would like to give an opportunity.

**Moderator:** Yes, sir. In that case, shall we take the last question now?

**Bejoy Arputharaj:** Yes.



- Moderator:** We will take the last question from the line of Nikhil Chaudhary from Kriss PMS. Please go ahead.
- Nikhil Chaudhary:** Hi, sir. Good evening. Sir, I wanted to understand. Since you mentioned that in regards to Ayalaan, we invested INR23 crores and we will be collecting INR23 crores only. So, what sort of arrangement would that be? I was not able to understand the commercial because we invested INR23 crores and we are receiving INR23 crores. Is my understanding wrong?
- Vijaykrishnan:** No, I think INR23 crores is what is receivable in the book as of September which we would collect. Further investments in terms of the work to be completed is being evaluated and is under review. So, we will definitely have that looked at and then possibly transacted in this quarter.
- Management:** I think his question is about the profit.
- Bejoy Arputharaj:** If that includes, whatever the numbers we are showing, that will be including the profit only. That is for sure. We will not be just recouping what we invested, but the investment will be along with the profit. I think that is what you are saying.
- Nikhil Chaudhary:** When we say we are co-producing, wanted to understand why are we are not getting like we would be entitled to the – if the movie is successful we would be entitled to some share, right. Because we are co-producing you said. So, how does the arrangement work?
- Vijaykrishnan:** It is being evaluated now. So, we will have to see how we sort of credit it.
- Vijaykrishnan:** In terms of credit, of course, we are being credited as a co-producer.
- Nikhil Chaudhary:** Okay, but whatever more or less whatever you finalize, it will be more than INR23 crores because our investment is INR23 crores.
- Management:** Of course, of course. Thank you.
- Nikhil Chaudhary:** Okay, got it. Thank you so much, sir. That's it. Wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen, that was the end of our question-and-answer session. I would now like to hand the conference over to Mr. Bejoy for closing comments. Over to you, sir.
- Bejoy Arputharaj:** Yes, thank you. So, we are excited about the future of Phantom Digital Effects. Our dedication to quality, innovation and client satisfaction remains unwavering as we continue to push the boundaries of what is achievable in the dynamic world of digital effects. If there are any further questions, you can very well ask IR team following after this. Thank you everyone for participating today.
- Moderator:** Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Phantom Digital Effects Limited and Captive IR Strategic Advisors Private Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.