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Ladies and gentlemen, good day, and welcome to the Prime Focus Limited Q2 FY '19 Earning Conference Call hosted by Four-S Services. (Operator Instructions) Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nitesh Kumar from Four-S Services. Thank you, and over to you, Mr. Kumar.

Thank you, and a very good morning, everyone. We have with us from Prime Focus today, Mr. Namit Malhotra, Executive Chairman and Group CEO; Mr. Ramki, Managing Director of Prime Focus Limited and Founder and CEO of Prime Focus Technologies; Mr. Vikas Rathee, CFO of DNEG; and Mr. Nishant Fadia, CFO of Prime Focus Limited. We will start the conference with opening remarks from the management, after which we will open the floor for questions.

I will now hand over the call to Namit for his opening remarks.

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [3]

Thank you, Nitesh. Good morning, everyone, and a warm welcome. I would like to start the call with some introductory remarks and update on our Creative Services business, following which Ramki will brief you on the Prime Focus Technologies side, and Nishant will take you through all the financials.

It has been a mixed first half of the year for us. Our top line continued to see steady growth during the quarter driven by our Creative Services business. There have been (inaudible). Our order books continued to advance in both the Creative Services side and on the Technology and Tech-Enabled Services side. However, we continue to consolidate our global workforce to cater to the higher order books. Our margins have transiently been impacted, but we expect the benefits of the same to pan out in the coming quarters.

Creative Services reported strong growth, delivering marquee projects [released] like Mission Impossible: Fallout, Ant-Man and the Wasp, amongst other movies. Indeed we have delivered. [We are considered out] of the top 5 box office hits for the half year in FY '19. The order book continues to be strong. Some of the Hollywood releases scheduled for coming quarters are Venom, The New Mutants, Fantastic Beasts: The Crimes of Grindelwald, et cetera.

In India, as I'll mention, we [received work] in some of the key projects such as Thugs of Hindostan. Other movie projects within the quarter have been Dhadak, Satyamev Jayate & Stree, to name a few, apart from the very strong schedule of movies like Robo 2.0, Manikarnika, et cetera. And so we continue to deliver services [in the country] and to strong visibility in future revenue from this segment.

In terms of outlook, our ability (inaudible) strong. And as the holiday kicks in, we look forward to the second half of this financial year.

I would like to now hand over to Ramki for an update on the Prime Focus Technologies business. Ramki?

Ramakrishnan Sankaranarayanan, Prime Focus Limited - Founder, MD & Executive Director [4]

Thank you, Namit, and a very good morning to everyone. It's been a slow first half for PFT, although our order book continues to remain steady. It takes longer than expected lead time in the conversion of some of our marquee RFPs in the first half of the year, especially in the international markets, which [had a] decline in revenues.

However, our pipeline looks promising, and the quality of revenue remains strong. And we expect the second half to be better than the first half, and that's how we see the year.

The international markets contributed about 35% of our second quarter revenues. And our annuity mix is at 75%. And the products services mix is 48% to 52%.

Other highlights of the quarter include the partnership that we announced with Virtual AI where we [would deliver] AI solutions. This is in addition to the announcement of launch of our own native media recognition AI platform called Vision Cloud, which is actually a module within the CLEAR Media ERP Suite. And that sort of interesting sort of announcements and go to market can leverage the use of AI within the M&E industry. And we feel quite excited with the prospects in this area. And we look forward to making this platform work with our customers and in the next sort of coming quarters.

We also sort of made a key organization announcement that Mangesh Pathak has joined as Chief Strategy Officer. Mangesh Pathak was the co-founder and partner of Ambit Pragma, a private equity fund, which actually led the investment within PFT in 2015 and has since been a director on the company's board. He's worked very closely with PFT in that capacity and [helped inform] its character and its potential. And we are quite happy to have him join the team. And we look forward to him working with us to develop and execute sustainable sort of forecasted growth initiatives.

With that I'd like to hand over to Nishant for him to take you all through the financial highlights. Nishant?

Operator [5]

Yes, sir, can we begin the question-and-answer session now?

Nitesh Kumar, [6]

We'll cover the financial highlights and then we'll go to questions.

Operator [7]

Sir, you may please proceed.

Nishant Fadia, Prime Focus Limited - CFO & Group COO [8]

Yes. Thanks, Ramki. Thanks, Namit. Good morning, everyone, and thanks for taking the time to join us today.

The consolidated revenue for the first half of the year increased about 15% Y-o-Y to reach INR 1,256 crores. And EBITDA for the same period is approximately INR 200 crores. This EBITDA is adjusted for noncash ESOP charges and includes other income.

Particularly, I think I'd just like to draw and clear up 2 items appearing in this quarter, which we believe are onetime and nonrecurring in nature. There's a noncash ESOP charge of about INR 17 crores between PFL and PFT. This is higher and it's charged only for this quarter. It's higher on account of extending the exercise period on the options for our employees from 2 years to 5 years.

The other is a finance charge of INR 26 crores in this quarter. This is on account of early retirement of a financial liability we had to Macquarie at the PFW level. So that's for this quarter, it had been paid off.

On the business side performance for the first half of the year, Creative Services contributed about close to 82% of our revenue. And the balance comes from our tech services and the India business.

Coming to debt, the net debt position stands at INR 1,969 crores. We see it a little higher because the closing in Q1 was INR 68.30 on the dollar. And now it's -- this quarter's closing was INR 72.33. That instance has an impact of about INR 72 crores, INR 73 crores on our total debt.

We also like to just point out to the community here that we also now redeemed the second tranche of the NCDs we had to StanChart Private Equity in November 2018. And this shows we continue to focus internally on bringing our overall leverage down and finding ways and means of doing that.

I think I'll stop here and open the floor for questions. Thanks again for taking the time.

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Questions and Answers

Operator [1]

(Operator Instructions) We will take the first question from the line of [Arun Advani from India Advani and Company.]

Unidentified Analyst, [2]

Namit and Nishant, my question is specifically ...

Operator [3]

Excuse me, Mr. Advani, requesting you to please speak a bit louder. Your audio is not very audible.

Unidentified Analyst, [4]

Right. Am I audible to everyone right now?

Operator [5]

Yes, you are.

Unidentified Analyst, [6]

Namit and Nishant, my question is specifically to you, and it's a 2-part question. One is regarding the debt, as Nishant's mentioned that the debt has amounted to about INR 1,900 crores. The management has gone on record to say that they are taking conscious efforts to reduce the debt. So what actions can we expect in the second half of the year? And at what level can we expect the debt at the end of this fiscal? And secondly, there was also a board resolution on the 30th of October where the management had clarified that they are taking all possible steps to monetize the subsidiaries of Prime Focus. And so I'd like to know what possible steps management is going to be taking or possibly be taking? And what kind of value creation can you see from that effort?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [7]

Thanks, [Arun.] Thanks for joining us today. So on the debt side, promoter family has sort of committed to infuse about INR 300 crores into the company. So that's one of the ways of sort of addressing the leverage we have. On your question about the [board,] I think that was a statement across the group. Whether it's PFT or PFW, we will continue to look at options to sort of bring down this leverage. Whether it is a -- any kind of sort of liquidity event, I don't want to be premature or speculative here and say that we are doing one or the other. But I think the idea was just to give confidence to the community that reducing leverage is sort of clearly one of our priority items. And we will continue to evaluate ways and means in which we can sort of bring that down. Namit, do you want to add something to that or ...

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [8]

No. I think it's right to say that I think we always said that we are -- over time, build a global infrastructure. In the short to medium term, there is always going to be a little creep up. It's part of the balance and check. But I think the goal is that in the short to medium term right after we build out our infrastructure revenues, the next immediate priority would be to start accelerating and using our cash flow to pay down the debt, because that's fundamentally the direction of our strategy. And I think it's also -- I think it's fair to say that [we had] done well in really establishing loan credit facilities between that -- that even though the currency has slightly higher [depreciation,] which is more a representation of the dollar fluctuation, and also the dollar -- more to that debt fluctuation, the foreign exchange here. But actually, the overall cost of that debt is actually going to be down significantly than what we had earlier. So I think going forward, there will be a greater contribution to overall cash, and the cost of the debt is coming down. And since we're a fundamentally ForEx-led revenue and EBITDA business, I think we're going to see our ability to (inaudible) basically improve as we go along. That's sort of where I see, we see our overall cash position and the debt position being much more in line with the expectations that we think would be executed for the company. And we make sure that we will continue down the road of reducing debt significantly over the next couple of years. Yes, I think that's all from me on this.

Operator [9]

(Operator Instructions) We will take the next question from the line of Salil Sharma from Kapur Sharma & Co.

Salil Sharma, [10]

I would like to continue with the earlier question. What I understood, the total debt now is INR 1,970 crores roughly.

Nishant Fadia, Prime Focus Limited - CFO & Group COO [11]

That's right.

Salil Sharma, [12]

Okay. Now so after paying that, the Standard Chartered debenture, right?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [13]

This is -- yes, well StanChart was paid off in November, and this is the debt figure as of 30th of September. So there may be a slight variation, but it won't be significant.

Salil Sharma, [14]

(foreign language) And what else -- I mean, (inaudible)

Nishant Fadia, Prime Focus Limited - CFO & Group COO [15]

No. The debt won't change, like I said. They've been paid out of existing facilities. So the debt won't really change much. But the quality of debt would change, because StanChart was obviously an item due immediately in November. And the new facilities are obviously much longer term.

Salil Sharma, [16]

And just (inaudible) debenture (inaudible) subject to debenture or (inaudible) or some other securities?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [17]

No, no. This is not relating to that. This is relating to an item in the PFW and PFW balance sheet. It's a liability which is due to one of our stakeholders, which has been paid. So we were amortizing. We had marked that instrument at present value. And then due to the fact we paid, we have to take the difference between present value and actual payment through P&L.

Salil Sharma, [18]

Okay, then so the -- out of INR 81 crores finance cost, how much is extraordinary?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [19]

26.

Salil Sharma, [20]

Okay. That's 26 in extraordinary. So basically, one can expect another -- to recognize (inaudible) INR 55 crores?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [21]

Yes. INR 50 crores to INR 55 crores a quarter is what we should expect as the finance cost.

Salil Sharma, [22]

But are these repeatable? That means we could just spin off and do kind of a (inaudible) perhaps kind of situation?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [23]

I think clearly like I mentioned earlier also, it is our endeavor also to leverage down. And in fact, the promoter family's initiative to put their own money in us is a positive sign for us. So that should bring our leverage down a bit. But our -- we shared our sort of view that yes, leverage needs to be brought down, and we are [looking for] the best way to do that.

Salil Sharma, [24]

Okay. (inaudible)

Operator [25]

Excuse me, Mr. Sharma, I'm so sorry to interrupt. Sir, your audio is not very audible. We are unable to hear you well. May you please use the handset more?

Salil Sharma, [26]

Sorry about that. Yes, well, I'm not using the handset. I'll try to ask -- I'll try to be more audible here.

Operator [27]

All right.

Salil Sharma, [28]

Yes, all right. There was asked earlier when your debt was around INR 1,200 crores, you will try to bring it down. Now it's already gone up to INR 1,900 crores. So it seems to me that that's a mismatch. Maybe if we could sort of grow on more of the equity rather than debt?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [29]

You know that that's [we're looking.] And we grow equity as well, but still as a sort of a way to address this debt. But again yes, it is a good way. But we will look for the most efficient way for all our stakeholders and make sure that we will have come up with a solution that works very well.

Salil Sharma, [30]

And then there was a ...

Operator [31]

Excuse me, Mr. Sharma, I'm sorry to interrupt. Requesting you to please join the question queue for your follow-up, as we have people waiting for their turn. (Operator Instructions) Next question is from the line of [Subrata Sarkar from Malvian Trust Finance.]

Unidentified Analyst, [32]

Like my question is also in terms of debt. Like last 3, 4 quarters, we are continuously talking about deleveraging and all those stuff. And like -- but nothing is happening. Like this quarter from the remarks, like currency depreciation also is increasing debt itself. So like we are only on a theoretical level discussing that we are looking for this opportunity and that opportunity. But as of now, there is no concrete plan. So do we have some concrete -- or do we have some targeted numbers, like you need to -- debt should reduce in a long-term sustainable rate? Or have you done some internal translation that what should be our stable state kind of debt figure in terms of like EBITDA and all those stuff? Like for a few quarters now, we are discussing same thing that we were planning to deleverage and all those things. But actually on ground, things are working on the opposite end. Like -- so that's where -- [that's the line we heard,] but this has been discussed. But we are looking forward for if you can provide more like your thinking in terms of strategic numbers. What are you planning? Or what's the route you are thinking of, at least?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [33]

Yes. So I think the -- I mean the primary point I think we should always be cognizant of is that when -- in this [division of saying] and regarding deleveraging, I don't think we ever made a statement that every quarter, that debt will come down. I think what we said is there is a short- to medium-term target of about 24 months, at which point we will see a marked reduction. And the number we have always said is that these (inaudible) hundred equivalent crores of debt would come down in that time. But in the meanwhile, what we are making sure that we are doing is we continuously build the business to optimum levels. There is going to be short-term changes or movements in debt, which are also driven by changes in working capital and driven by changes in currency depreciation, and is driven by changes in the basic infrastructure being built. And what I think also has to be considered, as I said earlier, is that when we look at the quality of debt, where today we have 5-year low interest-bearing debt, versus what we had 2 years ago when we had short term, high interest cost Indian INR debt. So we're making significant changes in terms of the quality of the debt, the profile of the debt. And the time line that we have laid out is between 18 to 24 months to really start to see a significant deleverage of debt. that if happens, we're guiding revenue -- the increase in our infrastructure will ultimately drive the overall margin propensity of the business to ensure that we have that kind of sustainability in the business thereafter. This is what I would urge everybody to focus on, and not look at a quarter-on-quarter movement as an indicator of whether the debt went up or it went down. A change in ForEx position actually does not hurt the company in terms of where the debt -- the total debt stands. For us, we have a -- let's say, we have $100 million debt facilities. Whether the exchange rate is INR 65 or INR 74, our INR balance sheet is (inaudible) for the income and the EBITDA already generated from (inaudible) I think that should be looked at, the cost of which should be considered when we make that evaluation.

Unidentified Analyst, [34]

Okay. Sir, let's look at these 2 things. One is if I remove the INR depreciation and the resulting mark to market adjustment in this, apart from -- what is the increase in debt in the last 6 months, number one? And number two, what is now our blended cost of -- interest blended cost of debt? And with or without (inaudible)?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [35]

So blended cost of debt is about between 8% and 9%, and -- but I mentioned earlier in my remarks, the dollar impact, on a quarter-on-quarter basis, on debt is about INR 73 crores. So debt is higher by INR 73 crores on account of movement of the dollar. And yes, I mean, is there any redirect to your earlier question?

Unidentified Analyst, [36]

No, sir. So (inaudible), if we have significant foreign debt, then why is the blended cost is so high at 8%?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [37]

So you appreciate that the LIBOR, U.S. dollar LIBOR currently 6 months LIBOR is 3% itself. And the banks would maintain a margin on that. India rates have gone up. And as a result of that, our blended rates are between 8% and 9%.

Unidentified Analyst, [38]

Okay. But in the -- Sir, can you please share what is the cost of India debt in that please?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [39]

We have various facilities ranging from 11 to 13, 13.5.

Unidentified Analyst, [40]

Okay, last question then ...

Operator [41]

Sir, I'm so sorry to interrupt the question. Can you please join the question queue?

Unidentified Analyst, [42]

Okay, okay, okay.

Operator [43]

Thank you. Next question is from the line of [Aleic Riga from Banca Rigatu.] (Operator Instructions)

Unidentified Analyst, [44]

In the appendix, you continue the presentation about IFRS 15 causing an impact in the second quarter. Can you quantify that impact and give some more color on what that is?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [45]

Sure. So basically, IFRS 15 is the new revenue recognition standard for this -- from this year onwards. What it basically says is that there are some contracts which we enter, which are -- which will have a net accounting impact. So when you see strictly speaking [lasting effect,] there was no impact of IFRS 15. So this quarter, there are some -- there is a project valued at about 40-ish crores, which otherwise would have been part of the top line, but had been shifted out to the next quarter because of the new standard. And if -- had we booked that revenue in this quarter, the revenues would have been higher, whereas the cost for the same project continue to be booked in this quarter. The impact, to answer your question, is about 40-ish crores on revenue, and hence, whatever impact will count on EBITDA.

Unidentified Analyst, [46]

Got it. So [there is an] impact to revenue plus EBITDA, so adjusted. And that is adjusted in Creative Services, right?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [47]

That's right.

Unidentified Analyst, [48]

Okay, right. So adjusted, so that number, Creative Services reported 78 crores in the second quarter, [107 crores in the first.]

Nishant Fadia, Prime Focus Limited - CFO & Group COO [49]

That's exactly right.

Unidentified Analyst, [50]

All right. Okay. Nishant, a lot of people are asking the question around this asset value and working -- And it seems they've been doing a little less in the last quarter than this quarter. Can you guide us to whether there is some state of contemplation or execution or advanced execution (inaudible)? But I'm just trying to understand sort of what state are you at?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [51]

Again, it's a very difficult to put a finger on it and say this is exactly the stage we are at. It could be, like I mentioned, premature and possibly speculative. But I think the message we have is we are very cognizant of this having to get done and sort of doing our -- management efforts towards done. I think I will leave it there.

Unidentified Analyst, [52]

Okay. And then given the year-on-year decline on EBITDA, I'm trying to ask, is it a revenue issue? Or is it a cost issue? Are you carrying too much costs and the revenues are not coming? And the delays in revenue actually delayed? Or these are sort of opportunities that may not come back to you? So Nishant, I'm trying to understand at what point in time do you continue to carry these costs? And then sort of how do you work it out? Because while the order book is there, it doesn't seems like it's translating into EBITDA.

Nishant Fadia, Prime Focus Limited - CFO & Group COO [53]

Sure. Ramki, you want to comment?

Ramakrishnan Sankaranarayanan, Prime Focus Limited - Founder, MD & Executive Director [54]

Yes. I think if you look, we had some -- obviously, there is some revenue impact with -- on account of some order losses, which are -- which is new. we had a lot of things that we are quite hopeful of that we, in one case, the decision was postponed indefinitely. In the other case, we lost it. So that sort of had a revenue impact. I think the margin pressure, our margin saw a reduction on account of -- and all these [3] large deals are very large tech deals for revenues. And so I think that sort of revenue mix have sort of gone down. And I think that if you look at it for the first time, our tech revenues came down, it look to be the same from a mix perspective. From constantly being 57, 58, it's down -- or 55 in past years, it's now this quarter down to 48%. And I think that revenue mix is really what has impacted the EBITDA this quarter.

Operator [55]

We will take the next question from the line of [Pankaj Gupta from Creden Research.]

Unidentified Analyst, [56]

Sir, you have said that we have repaid the Standard Chartered NCD debt in the month of October, November. So sir, my question was that we had redeemed it at a premium, because it was 0 coupon NCD. So is it likely that in this quarter also, we would have a onetime financial impact of the difference between the face value and the redemption premium?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [57]

No, it won't, because we are already taking that premium to P&L in the past few quarters. So there won't be an impact.

Unidentified Analyst, [58]

So in spite of being a 0 coupon, we have been passing it through the P&L for all throughout these years?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [59]

That's right.

Unidentified Analyst, [60]

Got it. And secondly, sir, in your announcements dated 30th October, you have said 2 -- hello?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [61]

Yes, go ahead.

Unidentified Analyst, [62]

Yes. In your announcements dated 30th October, you have said 2 things: that you are considering sale of subsidiary Gener8 India to DNEG. And on the same line, you are saying that the management has been authorized to explore various options and opportunities to unlock revenue. Sir, if you could slightly give some more color on these likely transactions and the opportunities which you are going to unlock?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [63]

I think the transaction between -- for the sale of Gener8 India is an intracompany transaction. This is the -- this company sort of starts some of the back-end functions for the Creative Services business. And it makes sense to sort of start back ownership of that business under the PFW group or the DNEG group. And so this is -- it is just change of ownership within the group. It has no impact on the consolidated financials posted. But from the DNEG or the PFW group to sort of own all of their facilities and won't have any intercompany transactions with parent. I think that was the whole purpose of that transaction. Again I think earlier in the call, we sort of addressed this that rather than a particular way or mean, I think what we are looking at is evaluating and considering and sort of looking at various streams of how we can unlock value across the globe. And I think that's what our message is about.

Unidentified Analyst, [64]

And sir lastly, can you just guide us on the order book which we are having and the visibility of debt transferring to our revenue for next year? How much growth are we expecting in the ...

Nishant Fadia, Prime Focus Limited - CFO & Group COO [65]

I think we have about a $500 million order book between both -- in all of our businesses. It should pan out in the next -- between 24 or 48 months. The range is a little -- 12 to 36 or 48 months. The reason the range is big is because the Creative Services business has order books execution is over the next, let's say, start from now onwards to 24. But PFT, the kind of contracts it signs are more longer term between the 3-year, 5-year contracts. So it kind of blended in now from to say, 24, 36 months.

Unidentified Analyst, [66]

Okay. Sir, last thing is that can you tell us what is the capital employed in the PFT group of business? And what is the capital employed in PFW group of business?

Nishant Fadia, Prime Focus Limited - CFO & Group COO [67]

We can send that to you off-line. I don't have it ready with me right now. But I think we can get it off-line and get it to you. (inaudible)

Operator [68]

We will take the next question from the line of [Satiman Doshi,] an individual investor.

Unidentified Participant, [69]

I have a question for Namit.

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [70]

Yes, go ahead, Mr. [Doshi.]

Unidentified Participant, [71]

Yes, sir. I'm trying to look somewhat, I had issued (inaudible) warrant (inaudible), sir. After that, price of stock has significantly fallen. And so I just [had a question at December 1st,] would you still exercise your warrants, [your warrants used,] sir?

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [72]

Well at this point, nothing has changed in our view with regard to that. So I think that's the best thing I can say right now.

Operator [73]

(Operator Instructions) The next question is from the line of Salil Sharma from Kapur Sharma & Co.

Salil Sharma, [74]

Yes, my query regarding the (inaudible) cost this year, or the back in here of your presentation also, that it's -- the cost of -- of percentage of revenue is now 64.4 against 53.6 last year same quarter. So -- and you've said that (inaudible) here. So -- and do you still expect those production revenue in the coming quarters? So can you give some approximately what could be that [be] in revenue? (inaudible)

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [75]

Yes, I think the way to think about it is that when we launch a new facility, so what happens is we have a minimum overhead. So let's say we have a capacity of -- that are proposed to be [500, so 500 people. It's about 100, 150 people around what we would count as overhead that we basically need to run the facility. Currently, we have] (inaudible) and only 1/3 of the current overhead that is carried. The overhead right now is significantly higher than capacity. And that is representative of early-stage development, developing the facility. Soon it starts to get to its optimal level. And those numbers and those margins automatically start to rationalize and come back in line with what is expected on a steady state basis. So there is a reason in the short term for our overall employee cost to be going up relative to where we plan. So we believe that on the ultimate -- on a steady state basis, those numbers will not -- will actually show a downward trend as we go ahead.

Salil Sharma, [76]

So what could be the ratio of that, I mean, like the current quarter's end? Is it the same one as ...

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [77]

No. I don't think -- I think (inaudible). Because we run these big projects through the course of the year, frankly, the quarter-to-quarter analysis is slightly larger (inaudible). So it could be at the end of delivering a -- very big project. And you would see [our savings cumulative development in the midterm and follow the next term so you can rationalize some of the annual metrics, not really particular quarter-on-quarter basis.]

Salil Sharma, [78]

Yes, but -- okay. Sir, but you also shared that [you had] some kind of onetime items each quarter. So do you think that we can expect to normalize kind of (inaudible)?

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [79]

Yes, I think I know that's a very broad statement. That is always the (inaudible). I think the reality is that we done an acquisition that started the ball rolling [to where we are today. (inaudible) So we started well M&A process sort of stable integration,] unlocking of the Indian cost structure and the globalization of the company, which has really climbed some in the last few years. So I -- even if that's a wide statement, (inaudible) answer. And there has been significant enhancement or improvement across the board across the revenue parameters, margin profile parameters, the quality of delivery parameters. Rationalizing that impact, operating in terms of what we're trying to do in there, the entity in what we do in terms of our current model. We are obviously ensuring that we can build up our position to a (inaudible) level that is done (inaudible) representative of that I would want to believe becomes to a steady state. And I think the right time to that is about 12 to 18 months to go.

Operator [80]

(Operator Instructions) We will take the next question from the line of Salil Sharma from Kapur Sharma & Co.

Salil Sharma, [81]

(inaudible)

Operator [82]

Mr. Sharma, I'm sorry to interrupt. We are unable to hear you, sir.

Salil Sharma, [83]

Yes, okay. I am saying that I want to again [ask about that] same point, saying that maybe are we undercharging the clients? We have high costs (inaudible) But you seem to be talking about the expansion of the margin [as of this writing.] So is that one to stay back? Or are we talking about competition, and we are undercharging the clients? That's all, sir.

Namit Naresh Malhotra, Prime Focus Limited - Founder, Executive Chairman & Global CEO [84]

No, I think it -- as to undercharging the clients, I don't think there is (inaudible) Frankly in our industry, the top quality projects [can actually run.] But it is important to say that the cost of [the projects that have been executed] have their own (inaudible) from time to time, because ultimately this is a creative industry, but that there will be points in time, like I said, (inaudible) margin in projects. But I don't think the revenue outlook right now that in any way signifies (inaudible). We can have a level of utilization that can change sometimes (inaudible) on shift. Because like I said, a starting date, we could have expected to have started on a project in the first week of September, and then we ended up having very largely -- large development projects starting in September first week, then starting September third week. And that can impact the amount of revenue accrued in that quarter. That would then [affect] the cost. However, the point that when you're on a project, the management has been changing the start date on projects. So that impacts quarter-on-quarter revenue accruing and all your consequence that come with it. So that's why I'm always a bit concerned in that -- maybe you can call that quarter-on-quarter realities, because those skews can be [a little misleading. When we do a big project in a particular quarter, we will have a lost revenue in that. But I mean, that's probably starting to show lower capture of revenue, the nature of which we ultimately get to (inaudible) in line with the creative recommendation of our client. And consequently, the revenue there (inaudible) follow]

Salil Sharma, [85]

Okay. And there depreciation, I'm sorry. (inaudible)

Nishant Fadia, Prime Focus Limited - CFO & Group COO [86]

No. That's a regular, I think -- that's regular [charge,] nothing exceptional or nonrecurring in that.

Salil Sharma, [87]

(inaudible) seems to me (inaudible) the highest (inaudible)

Nishant Fadia, Prime Focus Limited - CFO & Group COO [88]

No. I mean, not to us. I'm not sure which metric you could use to measure that, but no, not to us.

Operator [89]

Well ladies and gentlemen, that was the last question. Now I'd like to hand the conference over to Mr. Nishant for his closing comments.

Nishant Fadia, Prime Focus Limited - CFO & Group COO [90]

Thanks once again, everybody, for joining us. We encourage you, if there are some -- anymore clarification or questions you may have, please reach out to us, and we will do our best to answer those at the earliest. And thanks to Namit, Ramki and Vikas for joining as well. They are all in -- it's extremely either late or early for them. (inaudible) Thanks again.

Operator [91]

Thank you very much, ladies and gentlemen. On behalf of Prime Focus Limited, we conclude today's conference. Thank you for joining. You may disconnect your lines.