

**PDEL:Investor-Meet-Transcript/2023-24**  
**February 21, 2024**

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 February 15, 2024 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 quarter/period ended December 31, 2023, held on Thursday, February 15, 2024.

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 Q3 FY '24 Earnings Conference Call” February 15, 2024



**MANAGEMENT:** **MR. BEJOY ARPUTHARAJ – MANAGING DIRECTOR AND CHIEF  
EXECUTIVE OFFICER – PHANTOM DIGITAL EFFECTS LIMITED**

**MR. VIJAYAKRISHNAN TS – CHIEF FINANCIAL OFFICER – PHANTOM  
DIGITAL EFFECTS LIMITED**

**MODERATOR:** **MS. CHANDNI CHANDE - KIRIN ADVISORS**

**Moderator:** Ladies and gentlemen, good day and welcome to Phantom Digital Effects Limited Q3 FY24 Conference Call hosted by Kirin Advisors. Ladies and gentlemen, a reminder to all participants that the call duration will be for one hour. 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 a touch-tone phone. Please note that this conference has been recorded. I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you, ma'am.

**Chandni Chande:** Thank you. On the behalf of Kirin Advisors, I welcome you all to the conference call of Phantom Digital Effects Limited. From management side, we have Mr. Bejoy Arputharaj, Managing Director and CEO. Mr. Vijaykrishnan, CFO. Now I hand over the call to Mr. Bejoy Arputharaj. Over to you, sir.

**Bejoy Arputharaj:**

Good morning, ladies and gentlemen. I extend a warm welcome to each of you to the Q3 and nine months financial year 24 Earnings Conference Call from Phantom Digital Effects Limited. It's a



pleasure to have each of you here today as we reflect on the significant accomplishments and advancements we have made during this period. Before we delve into the specifics of our performance, I'd like to provide a brief overview of Phantom Digital Effects Limited.

Established in 2011, we specialize in VFX services offering top-tier solutions for commercial films and series with a decade of experience. We hold a prestigious DPN certificate ensuring secure data environment. Our services span final shot compositing, 3D element creation, life-like creative environment, effects, natural phenomenons, and other stuff.

Operating from Chennai, Mumbai, and Hyderabad, we have global marketing offices in the USA, Canada, Dubai, and UK, supported by over 650 skilled professionals. We are proud to be approved vendors for industry titans like Amazon, Walt Disney, and Netflix, underscoring our international acclaim and position as trusted content providers worldwide. Projects such as Leo, The Lab, The Flash, and many more have been our playgrounds where we have seamlessly blended CGI and live-action to craft mesmerizing sequences showcasing our commitment to excellence.

Now let's delve into the highlights of Q3 FY24. We are elated by the exceptional performance witnessed in Q3 FY24, a testament to the dedication and talent of our team, alongside the trust and confidence bestowed upon us by our esteemed clients. Our growth trajectory owes itself to several key factors.

Energy of our in-house tools and software, coupled with the unwavering efficiency of our technical team, played a pivotal role in realizing our ambitious projects within remarkably short timelines. During the quarter, we achieved a significant milestone with the successful completion of QIP, a moment of pride for us. The trust shown by a select group of global funds like Bofors Securities Europe, Morgan Stanley Asia Singapore, Absolute Returns Scheme, Resonance Opportunities Fund, NEAV Capital, and Rajasthan Global Securities, inspired us to redouble our efforts.

The funds raised through QIP will facilitate the expansion of our future endeavors, propelling the company to new heights. January marked a historic milestone for us with the resounding success of Ayalan, a groundbreaking science fiction phenomenon. This film's exceptional performance can be attributed to its outstanding visual effects and computer graphics.

With over 4,500 VFX shots delivered, setting a new benchmark in the industry for the quality that we have delivered, and propelling Indian cinema onto the global stage for innovative visual storytelling. Ayalan has garnered box office collections reaching 100 plus crores in global box office revenue, garnering widespread acclaim for its captivating narrative and unparalleled visual effects. Notably, we hold the intellectual property rights for the remarkable creation of the alien character Tattoo, which presents numerous opportunities for additional revenue streams as well.

One notable addition to our team is the appointment of Mr. James Abadi as our Executive Producer for UK operations. With over 25 years of expertise across various content platforms, Mr. Abadi's arrival signifies a pivotal step in driving our expansion and innovation strategies in the UK market, aligning seamlessly with our commitment to excellence and growth. These achievements underscore our commitment to excellence and innovation, positioning us at the forefront of the digital effects industry while paving the way for continued growth and success.



Turning to our financial performance, in Q3 FY24, the company showcased exceptional financial performance with total income soaring by an impressive 99.01% ROI to reach INR26.17 crores. This substantial growth was mirrored across key metrics, with EBITDA surging by 102.63% to INR12.06 crores and net profit registering a remarkable increase of 95.11% to INR7.80 crores. Profit before tax exhibited robust growth of 97.42% ROI, reaching INR10.61 crores in Q3 FY24 compared to INR5.38 crores in Q3 FY23.

The net profit for Q3 FY24 stood at INR7.80 crores, making a substantial increase of 95.11% ROI from INR4 crores in Q3 FY23. The company maintained robust profitability levels, highlighting its effective cost management strategies and operational efficiency. In the nine months performance of FY24, the company demonstrated remarkable financial strength and growth with total income surging by an impressive 70.14% to reach INR67.41 crores compared to INR39.62 crores in the same period last year.

EBITDA also witnessed substantial growth rising by 63.64% to INR27.92 crores, from INR17.06 crores in nine months FY23. Similarly, profit before tax displayed a robust increase of 50.03% to INR24.24 crores compared to INR16.16 crores in the corresponding period. Net profit for nine months FY24 stood at INR18.20 crores, marking a substantial increase of 51.28% Y-o-Y from INR12.03 crores in nine months FY23. These impressive results underscore the company's resilience and capacity for sustained growth, positioning it favorably for continued success in the future.

Looking ahead, we are poised to venture into the animation and gaming segments, broadening our service offerings and positioning ourselves as a comprehensive solution provider. Furthermore, our dedicated R&D endeavors aim to foster seamless collaboration between our team and AI, enhancing our capabilities and efficiency.

In conclusion, we are genuinely excited about the future prospects of Phantom Digital Effects. Our unwavering commitment to quality, innovation and client satisfaction propels us forward as we continue to redefine the boundaries of digital effects and by unleashing the magic of VFX in an ever-evolving landscape. With the culmination of these factors, we foresee a very positive conclusion to FY24 and anticipate the continuation of our growth trajectory beyond.

Now I would like to open the floor for the question and answer session. We are more than happy to address any questions you may have. Herewith, I have my CFO, Mr. Vijaykrishnan here. Thank you for your patience and for being a part of our journey. The floor is open for the question and answer session.

**Moderator:**

Thank you very much. Our first question is from the line of Pranay Jain from D Wealth. Please go ahead.

**Pranay Jain:**

Thank you for the opportunity and congratulations on a robust quarter. I wanted to understand the momentum that we have seen so far in the nine months, which is more than 70% on the top line. How do we see it extending for the next 15 to 18 months given the orders we have on hand, the kind of talks we are in with our partners and with the US strike having ended?

If you could give us some commentary on what the pickup is looking like.



**Vijaykrishnan:**

Thanks for your question, Pranay. This is Vijaykrishnan, the CFO here. Looking at our guidance for the financial year 2024, we expect to close anywhere between 90% to 95% of the top line for the financial year. And then going forward in the next financial year with the sort of order book that we have and a lot of other exciting projects that are being lined up, we expect to have the guidance value at around INR135 crores to INR140 crores and increase over 50% over the FY24 top line. And that's the brief from my side. Over to Mr. Bejoy for any specific projects that you would want to talk about.

**Bejoy Arputharaj:**

We are in the process of procuring new orders and some big international feature films, which I cannot reveal right now, but the prospect is already good. And we are expecting some good breakthrough in the near future.

**Pranay Jain:**

Could you give us some color on the kind of projects we are expecting to hit the screens, whether cinema or television in 2024 and give us a spread across movies or episodic content or even commercial ads if we are doing?

**Bejoy Arputharaj:**

It's mostly movies and there are a lot of television series as well. Bound by the NDA, we cannot reveal any upcoming projects at the moment, but all are from very reputed OTT platforms and prominent production houses. So these are all very big projects.

**Pranay Jain:**

And with the QIB money that we have raised, what's the utilization plan specifically over the next couple of years? I see that we've already added significant workforce as is reflected in the employee expenses. Our other direct expenses have also increased. So just wanted to get a sense whether this is subcontracting or what kind of expenses are we incurring on these two fronts and our plans with expansion of footprint?

**Bejoy Arputharaj:**

Okay, I think you had two parts to the question. One was the utilization of QIP, right? And the other question was specifically on other direct expenses. So let me answer the first one, which is utilization of QIP. I think you would realize that we received the fund through QIP only during the fag end of December.

So just about 22nd of December and by the time it came into our current account. So we have a staggered plan over the next couple of years in terms of utilizing this money over key infra expansion, including new offices, increase in headcount. So we will definitely have those lined up.

We are also looking at acquisitions somewhere down the line. So these are the initial feeders that we could give in terms of the QIP utilization. It could also mean also improving the current infrastructure in our existing offices here in India and also expanding the reach in the offices of the marketing team locations outside India. With respect to other direct expenses, I think the increase is primarily because of certain outsourcing that we had to do while we are completing certain key projects in the quarter.

**Pranay Jain:**

Okay, just a last two-part question. Is there any guidance you can give on the BITDA margin fund? And second, what's the kind of team strength we are looking at combined India and overseas? This of course you can exclude any acquisition that will come through because I believe with your excitement that you sounded on gaming and animation, maybe something is probable on that front?



**Bejoy Arputharaj:**

I think the first part of your question was more on the guidance value for FY24. I think if you look at our PBT and PAT margins, up around 36% to 28% PBT and PAT. We expect to remain at those levels for FY24. And going forward when there is an increased expansion in the overseas business, which obviously attracts higher margins, so we should be definitely doing better in the coming years. But FY24, we would restrict to the same margin levels. And could you please repeat the second part of your question?

**Pranay Jain:**

What is the opportunity we are seeing in animation and gaming organically?

**Bejoy Arputharaj:**

Yes, so we are in the efforts of getting some IP content done from our end and we are also being approached by many animation studios as a service partner for creating their animated movies and series. So we are working on that.

So once we get to a final deal, we will be able to reveal those information. But as of now, we also have a plan to create our own IP content with a character tattoo, which has recently got acclaimed by the public through the movie Ayalaan. So that is also in the plans. And regarding gaming, we are still finalizing with acquisition of a company. So once that happens, we will be starting our venture into that as well.

**Pranay Jain:**

Thank you so much, gentlemen, and wishing you a fantastic year ahead.

**Bejoy Arputharaj:**

Thank you so much.

**Moderator:**

Thank you. Our next question is from the line of CA Vikash from Acorntree. Please go ahead.

**Vikash:**

Our last con-call was on 27-11. Regarding that, two or three points are there. One point is there you mentioned in the last time, FY25, which you also mentioned or CFO already mentioned, INR135 crores to 140 crores revenue number. And EBITDA margin is at 35%, and FAT margin is at 25%. But this quarter, it says suddenly spike is there at 45% plus EBITDA margin. So what is our sustainable EBITDA margin in future?

**Bejoy Arputharaj:**

So the sustainable margin for the future will definitely be in that range, sir. It's anywhere between 43% to 48%. That's the sort of trending we are seeing. I think, again, EBITDA margin will have to – it's a bearing of several other factors in terms of our sales and revenue mix in terms of domestic and international projects.

So we are also keeping that in mind vis-à-vis the order book that we have and the future projects that we foresee. But EBITDA margin should sort of remain in that range. And accordingly, the EBITDA FAT margin should also sort of come out.

**Vikash:**

Yes, correct. And what about this one, is there only one subsidy in the UK? Any status right now?

**Bejoy Arputharaj:**

UK status. You are asking about the subsidiaries of the UK? Yes, so we are working on it. We have – that's the reason we have appointed Mr. Abadi here. So we are vigorously working on – the hunt for projects is happening and we are developing our contacts there. And we are also looking at establishing a research facility there. So things are going on well. And maybe very soon you'll be hearing back from us on this.





**Moderator:**

Our next question is from the line of Praikshit from Pkeday Advisors, LLP. Please go ahead.

**Praikshit:**

Hi Bejoy, congratulations on a great set of results. Thank you. Just wanted to understand, this sudden spike that we have seen this month, this quarter, has it been because of the reopening of the American market and the new business coming in from there? Or has this been more to do with the domestic projects only?

**Bejoy Arputharaj:**

It is a mix of both, actually. So, you know, the markets started opening recently. And we are also in talks with some very good studios over there in Hollywood. And also, the recent release of the project like Leo and Ayalaan, the kind of work that we've been delivering, it has garnered a lot of visibility in the market. And people have started approaching with much more interesting projects to us. So that's the reason the business is starting to get back into the normality, actually.

**Praikshit:**

Makes sense. Will it be possible for you to share the domestic versus international revenue split for this quarter and the previous quarter?

**Bejoy Arputharaj:**

Yes, I think to answer your question, if you look at the nine months for the year, I think we are almost equal or I would say slightly more inclined to the international revenues. So it's around 55% to 60% of revenue for international and the remaining being domestic. So it's a mix.

So in this quarter, definitely there is a slight increase in the international revenues, whereas it's been domestic heavy in the previous quarters. So overall, it would say 50% to 55% is the sort of range that we're looking at.

**Praikshit:**

Makes sense. So overall, it is 55% and 45%. But this quarter in particular, how much would be international?

**Bejoy Arputharaj:**

Slightly more. I mean, nothing great. So it's almost equal, I would say, but slightly more with increase in projects and increase in orders because of the opening up of the market that you rightly mentioned at the beginning.

**Praikshit:**

Yes, got it. Makes sense. The second question was, this Ayalaan has of course been reviewed well and received well by the market. Just wondering for the rights that we had, what kind of realization did we get for those? And I'm sure there might be some part of it which is ongoing. If you could share those numbers as well.

**Bejoy Arputharaj:**

Yes, the large part of the collections is still ongoing. I think as you may remember, the movie has just been released in the Tamil language. I mean, obviously, there has been a resounding success. We are also looking at release of this movie in the other languages. As they speak, most likely the Telugu version is coming out. So a lot of dynamics in play in the market or in the box office in terms of release of this movie.

We are also looking at release of this in the digital and other platforms as well going forward, right? So finality to the overall collections in terms of how it would pan out, we'll have to wait and see. But to answer your question, I think we have collected almost 50% to 60% of our receivables as on date.



And we expect to receive the balance before the close of this quarter. And if I have to give you a sense of the overall collections of the movie globally, it's in excess of INR100 plus crores. So that's the sort of number we're looking at in terms of the success of the movie as such.

**Praikshit:** Got it. Sorry, I missed that part. You have collected 50% to 60% of what?

**Bejoy Arputharaj:** Of the dues that were receivable by us.

**Praikshit:** Okay, okay, okay. The dues that were receivable by us. I understood.

**Bejoy Arputharaj:** So a lot of other things are all ongoing. So it will sort of stabilize over the next 1.5 months, right? By the end of this quarter, we expect to receive money because we are also looking badly at the success of the movie, the way it has catapulted the Phantom's image in the market, the sort of projects that we can do, the fact that we signed up for Ayalaan 2 as the contract. It sort of re-emphasizes the quality work that has gone in.

And I don't know if you have really watched the movie. I would definitely urge you to watch the movie even though language may be a barrier. But you will have to just go and have the visual delight on screen.

**Praikshit:** Absolutely. And I have seen, of course, I have seen as many clips as I could and it looks fantastic. Great quality work. So congratulations to you and your team on that. Thank you. 100%. And lastly, I know that in this quarter, we don't release our balance sheet. But I was just wondering if you are comfortable sharing the receivable number as of today?

**Bejoy Arputharaj:** Yes. So the receivable number as of December is definitely high because of the surge in revenues. So I hope it's understandable for you. I think we are closing the receivables that are on INR40 crores for the nine months ending December. As we speak, almost 60% of these dues have been collected in these 45 days. And we hope to release the balance as well, which should be reassuring to you.

I think what you will also appreciate is the writer's strike has also had a cascading effect on the customer side in their market. So which means he is also sort of hit in terms of cash flows. He has to sort of recoup himself, rearrange himself and all that. That's been the delay in terms of receivables. Otherwise, we are well on track to receive the money during this quarter.

**Praikshit:** Fantastic. All right. Great. And are you expecting the international market to be a larger dominant part of the revenues going into the next couple of quarters since the business should be flooding in from there? Is that an expectation?

**Bejoy Arputharaj:** Yes, yes, of course. Because we are attaching one more multiple Oscar award winning company to us. It's opening up a lot of huge doors for us. A great announcement will be done very shortly. So following that, we are expecting a huge surge in international business as well.

And a lot of Netflix projects from India is turning towards us. And it's getting better from the last year due to all the strikes. The stagnation has dissolved now. So the market is opening up and we are looking at a great picture right now.





- Praikshit:** Fantastic. Congratulations and good luck to you on your journey. Keenly tracking it. Thank you.
- Moderator:** Our next question is from the line of Yashwanti from Kojin Finvest. Please go ahead.
- Yashwanti:** Thank you, sir, for the opportunity and many congratulations for the success you are experiencing with Ayalaan and many more projects which are currently handling? Sir, we see this remarkable growth in the quarter 2 with the successful project of Ayalaan.
- Bejoy Arputharaj:** We are not able to hear you clearly, ma'am. If you could please repeat.
- Yashwanti:** We have seen the success of Ayalaan in the third quarter and seen the very good growth. So I just want to understand this growth momentum will be continued even for this current quarter and even going forward?
- Bejoy Arputharaj:** Yes, very much. I think you are seeing an upside between Q2 and Q3 of this financial year. We expect this momentum to continue in Q4 and the future quarters as well. Obviously, Ayalaan's success in terms of the quality work that we have executed has a major role in this in terms of it has opened up a Phantom's image in the market. So obviously, there are projects that would head our way. So yes, it's going to be exciting times ahead for us.
- Yashwanti:** Sir, like Ayalaan, are you working on any such projects currently? Do we have such projects that you have done with Ayalaan?
- Bejoy Arputharaj:** Yes, we are actually in the very closing stages of another great project which is far more bigger than Ayalaan from the same director and it's going to be a lot of -- I cannot reveal more information on that right now but it's going to be a huge film with great effects and it's going to be one of a kind again for the Indian cinema and people are going to definitely talk about it once the movie is out. So that we are counting on and that is in the closing stages as we speak.
- Yashwanti:** That is really great to hear, sir. So, I just wanted to understand what are your learnings from this project that is Ayalaan? Because this is one of the kind projects you have handled till date.
- Bejoy Arputharaj:** Yes, of course. So the thing is when we started Ayalaan, it's a vision that we have started -- with a vision we have started that, because till now Indian cinema doesn't have that guts to produce this kind of films. They just were sticking on to the traditional way of filmmaking and we definitely believed Ayalaan is going to be breaking all these barriers and thought process of not investing much on Indian films for VFX.

And Ayalaan, just because of the quality of VFX, people wanted to feel that experience in an Indian cinema. If you watched the reviews that the reviewers are giving, people are saying that you must go and watch it in theatres just because for the visual effects and the experience that it gives. So that is the kind of review and feedback that we have got from the public and also the fellow industry by trends. So that has really opened up a lot of opportunities.

And now more such movies will be produced and people who want to produce that kind of films, they have gained the confidence that investing money on a visual effects heavy film is going to definitely recoup more money than what they have believed from the previous kind of filmmaking process. So



this has opened up a lot of opportunities for everyone. And as a learning process, we have definitely learnt a lot in the technical end of it. We have done a lot of research, a lot of -- we have pushed boundaries literally and we have achieved this kind of quality in just 5 to 6 months maximum.

I recently met with one of big Hollywood production house when we told them that we achieved this in the timeline, they were like so surprised because it is never heard for them. So that is the kind of learning that Phantom has had and we have improvised our pipeline in a very robust way and we have improvised our outsourcing abilities in a very robust way. So the automation tools have been made and functionalized and effectively implemented into the pipeline.

So there are so many learning curves through this film and going forward all this increase in productivity and increase in effectiveness of using the technology in the right way is going to help us out with much more bigger projects.

**Yashwanti:**

Do we need to invest in the technology to take such a heavy process? Do we have any tie-ups with so many technology providers? How do things happen in the VFX industry as far as the technology is concerned?

**Bejoy Arputharaj:**

Your voice broke down. Can you please repeat the question and be a little more louder please?

**Yashwanti:**

Yes, sure. Just want to understand what are your technology investments in the technology? How do things normally happen in the VFX industry? Who are the technical support? Do we need to buy any technology from them? How do things happen as far as the technology piece is concerned?

**Bejoy Arputharaj:**

In terms of technology, it is nothing like -- see, whatever the results that you are seeing has to be photorealistic. So achieving that photorealism will take more time. That is the basic tagline for this. We are trying to basically achieve the same quality or the highest quality possible in a much more lesser time. So that is the ultimate motive for this. Using the technology, we are trying to reduce the time that we are investing on completing the project with high quality.

When I say we have developed a lot of tools, those tools have helped us automate a lot of manual process that is happening, streamline the pipeline, avoiding any manual errors or unnecessary kickbacks. We have successfully set up a lot of review systems that work very well with our clients and edit and our other digital intermediate companies. And also we have established -- we have created a lot of tools for our outsource partners where they can successfully upload through it.

These all saved a lot of time in the crucial moment because the project was done in a very short timeline and we didn't have time to waste anywhere. So all these specific tools that we have created for all these needs definitely improved the productivity and saved us a lot of time in the sense it has saved us literally a lot of money for us.

**Yashwanti:**

Okay. So in the last conference you spoke about enhancing our staff strength. So what are your plans? You talked about some number like 1,000 people you wanted...

**Bejoy Arputharaj:**

The staff strength, Yes. It depends on the projects. So we are almost in the final stages of signing up a lot of interesting projects and I think by this quarter, we will be able to conclude to that number and probably in the next meeting we will be able to give you more information on that.



**Yashwanti:**

In your opening remarks you also spoke about that you are in the process of acquiring multiple Oscar, Emmy and BAFTA awards and institutes. So what are your plans? What are your strategies? What are your steps towards that?

**Bejoy Arputharaj:**

You are asking about the acquisition?

**Yashwanti:**

Yes, acquisition for multiple Oscar and...

**Bejoy Arputharaj:**

Yes. So we have identified a great visual effects studio and we will be attaching that with us. So that is going to definitely open up a lot of big doors and you know the brand name that they have and with all the credibility of the Oscars and Emmys, it already has established itself as a great player in the market. So that is going to definitely open up a lot of doors with our existing clients and also new clients. And one thing is like, as you know, Phantom is a creative studio unlike others who does [auto] and prep jobs you know majorly.

Phantom is a creative studio and you know a project like Ayalaan has been pulled off and it is only possible by Phantom. So that kind of ability will be joining forces with this Hollywood studios, whatever we are acquiring. So this is going to remarkably increase the business value that it brings and also it's going to bring in a lot more creative works. So for example, if we were -- if that other company is slightly a part of one huge visual effects movie, for example, now they will be able to at least bid for 5x their capacity, because Phantom has joined hands. So it's going to bring in more business and more profit margins as well.

**Yashwanti:**

Okay. So one of the colleague's explanation you might -- talk about international revenue. I'm sorry, I missed that. So what are your international revenue you are proposing? You spoke about 70% to 80%. So how are the things happening in this direction?

**Vijayakrishnan:**

Yes, see I think very clearly the way forward for Phantom and the business that we are in is going to be international. That's a sort of vision we have as a management in the company, right? So we are looking at 55% to 45% range of revenue for the international business at this point of time. This would definitely increase going forward to the sort of guidance that you just spoke about in the range of 60% to 70%. So definitely we are headed in that direction.

We are already seeing that happening in this and the previous quarters. So going forward, it could be more of international business coming in for us and the domestic revenue dipping. So having said that, we are also not in a situation where we don't -- we overlook the domestic project. So Phantom also carries a good name in the domestic market. If there are any interesting projects that come our way, we would definitely take that.

But definitely we want to make a mark in the international arena. That's exactly why Mr. Bejoy is talking about tying up with Hollywood Oscar nominated organizations that will really catapult the Phantom in the international stage. So yes, way forward is clearly international but we are also wary of delivering the domestic business as well as and when it comes by.

**Yashwanti:**

Okay. So to leverage the opportunity in the VFX industry in the European market we have already opened a subsidiary in London. So what are your plans to tag the market in the Northern America?



**Bejoy Arputharaj:** North America you meant?

**Yashwanti:** North America, yes.

**Vijayakrishnan:** I don't get your question right. Can you please repeat it?

**Yashwanti:** I said to leverage the opportunities in the European market we have opened a subsidiary in London. So what are your plans to tag the VFX market in America, basically North America?

**Vijayakrishnan:** North America, our presence is already there. I'm not sure if I got your question right. So this U.S. company has a reach already there. And we as Phantom for the past 11 years we are already having a strong presence in the North American zone. So that is already established. So now our concentration is going to be more of Europe and London. So that is what we are looking at.

**Yashwanti:** Okay. Are we receiving any benefits in the international market?

**Vijayakrishnan:** Sorry, come again. Can you please repeat your last question?

**Yashwanti:** I'm talking about the tax benefit. Do we avail any tax benefit in the international market like UK, Europe...?

**Vijayakrishnan:** We are evaluating those opportunities definitely. Because any tax benefit that would accrue in any of these locations we would definitely jump in. So it's currently under evaluation. We would definitely seek them as we go along. So the outreach in the UK market is currently happening. You would have heard about the announcement made by Mr. Bejoy in terms of appointing a hard-core full-time professional in the UK segment. So a lot of plans are there for the future. And definitely any tax benefits that would accrue for the organization in those locations would definitely be looked at. We would definitely seek them as we move along.

**Yashwanti:** One question is regarding the strike which has happened. So have we recovered from the strike and the project which has been delayed? Is everything back to normal?

**Bejoy Arputharaj:** Yes, the strike is over. Still a lot of productions are yet to jump into their normal actually. But it's slowly getting back into the normalcy. So we are expecting more business from the international market as we speak. And we already have a lot of domestic projects as well. So as far as Phantom is concerned, we are in safe hands.

**Yashwanti:** Okay. And the last question is currently what is the size of the order book? What is the size of the project you are currently having?

**Vijayakrishnan:** I think at this point of time, without getting into the details, we can say we have a very strong order book. Obviously, you are aware of the larger Netflix contract that we have signed over a period of four years. That's definitely there. And then certain key international projects that we are working on. And the milestone billing that will have to be completed as part of the Q4 revenue. So definitely it's looking very bright. And we should be sort of meeting the guidance values and the numbers that we initially spoke about for financial year '24.

**Yashwanti:** Okay. Thank you, sir. Thank you so much. I'll join back in the queue. Wish you the best.



**Bejoy Arputharaj:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Ayush Agarwal from MAPL Value Investing Funds. Please go ahead.

**Ayush Agarwal:** Good afternoon. First of all, congratulations on the grand success of ILM...

**Management:** Thank you. Good afternoon.

**Ayush Agarwal:** Sir, I have [inaudible] 40:26 there is like demand numbers. I would like to understand. You mentioned that quarter three we ended with INR40 crores of receivable. And around 60% has been realized. So is it safe to assume that right now the receivable level would be around INR15 to 20INRcrores and not more than that?

**Bejoy Arputharaj:** Yes, yes, absolutely. So because the collections are continuously happening and we definitely hope to close most of it by this quarter.

**Ayush Agarwal:** Understood. And operating numbers, first is what is the inventory level today with this one and second in the other current assets of the distribution rights of INR18-INR20 crores, the number which was there. What is that number today? Both the inventory and the other current asset numbers?

**Bejoy Arputharaj:** Yes. So if you're talking about working progress inventory that we normally park as part of the milestone billing or the portion that's handled, we are looking at a value of INR24 to INR25 crores as of December end. And we also have the recoverable on the FMS rights of ILM to the extent of INR13 crores as of December. So most of the WIP work in progress that we have for the December should sort of get covered in this quarter and maybe some of them may also flip over to the first quarter of the next financial year. We'll have to see how we go along.

**Ayush Agarwal:** Understood. Sir on the acquisition part, what type of company are you looking at? What would be their top line and what kind of capabilities will they bring? Because I think we are at this juncture where we really need to think about how we want to shape the organization in terms of the services we offer in the next five years. So what kind of capabilities does an organization bring and what is the potential top line in the company?

**Bejoy Arputharaj:** I don't think we will be able to give you the five years plan at the moment.

**Ayush Agarwal:** No, not the five years plan. I'm saying that we need to think about where the company is moving in the next five years in terms of technology, the kind of services we want to offer. So just from that perspective, not in terms of numbers.

**Bejoy Arputharaj:** Yes. So, this -- in terms of acquisitions, we are looking at a value-added partner. So it should add value to Phantom and Phantom's abilities. So it can be in terms of bringing in more business with reputed clients or it can add value as a service partner. Because we are in VFX, we are trying to attach other verticals as well, which I cannot reveal who we are looking at, at the moment. But at the right time, I will be able to reveal it.



So Phantom has a huge vision to become a global player and I have a clear plan of what I'm going to do for the next two, three years. And with the QIP fund backing us up, we are, rightly speaking, with a lot of potential added value members to the -- for Phantom's future. So that is definitely going to add value and bring in more businesses is what the motive is here. So I think at the moment I will not be able to reveal more information on that regard.

But going forward, we will be revealing all this information one-by-one.

**Ayush Agarwal:**

Understood sir. That's it from my side. And all the best for the next year.

**Bejoy Arputharaj:**

Thank you.

**Moderator:**

Thank you. Our next question is from the line of Rusmik Oza from 9 Rays EquiResearch. Please go ahead.

**Rusmik Oza:**

Thanks for the opportunity. Sir my question was on the guidance you have given. In Q1 and Q2, we did around 25% net margin which has gone up to 30% in Q3. And going by your guidance next year you are saying that we should be able to maintain 25% net margin. Does it mean that the next year's net profit growth will be lower than the 50% revenue growth that we are projecting? That's my first question.

**Bejoy Arputharaj:**

Yes. So, I think -- what I was trying to hint at initially is that if you look at the Q3 numbers, we are at around 27% PAT for December '23. And we expect to remain at this number or maybe slightly better than this as we close the current financial year. What you will also have to appreciate is as we are also looking at a lot of international projects by way of acquisitions or even through direct projects that may come by way.

The margins are obviously much better and we expect to improve on this 27%-28% PAT that we are seeing for FY24 by at least three to four or maybe five percentage points in the coming years. That's very, very clear. It's very evident.

**Rusmik Oza:**

Okay. That's heartening to know, sir. My second question was on the QIP money. We've raised INR80 crores and out of that sub INR65 crores was supposed to go into capital expenditure. And as per yesterday's notice you have given, you are looking at some INR30 crores of acquisitions. So if you can give some more specific figures on this INR80 crores QIP allocation, like for example, how much will go in acquisitions, how much for organic expansion and how much will be spent on new ventures. It will be helpful, sir.

**Bejoy Arputharaj:**

I think it's sort of kept open in terms of the capex investment because see what I can give a sort of generalistic answer to this in terms of saying that we are looking at an enhanced product offering to the customer at the end of the day, either as a direct offering from Phantom or through the acquisitions that we have. So we are looking at broad basing our infrastructure at our existing capabilities, existing offices, and also looking at the sort of new office expansion that we look at in the future.

Right, so acquisitions is very critical as part of this plan in terms of being able to partner with globally acclaimed companies who are definitely carrying a reputé of their own in the market. So the INR65





crores is a play between the infrastructure expansion that I want to do and also at the same time look at acquisitions. We are not really restricting it to one or two. We are definitely more open here. We will definitely see how things pan along in the next few months or maybe years or a year or so and then sort of look at it. That's the input from our side as of now.

**Rusmik Oza:** Sir, just one more question and then I'll come back in the queue. Sir, this INR131-INR135 crores revenue guidance you're giving for next year, does it include any inorganic acquisition also inside or it's pure organic growth?

**Bejoy Arputharaj:** It would definitely include some inorganic aggregation because we are likely to close a few deals. So definitely, it will have a portion of inorganic. But largely, organic, I would say, because Ayalaan, as a movie, has definitely spurred interest in the international market among our competitors. So people are definitely wanting to partner with us. A lot of positivity around that side and it definitely showcases our capability.

So it sort of -- the situation is quite buoyant in terms of what Phantom can offer. So it could be a mix of both organic and inorganic as far as FY25 and the years ahead as we speak.

**Rusmik Oza:** Thank you, sir. I'll come back in the queue. Thank you so much.

**Bejoy Arputharaj:** Thank you.

**Moderator:** Thank you. Our next question is from the line of Nikhil from JM Family Office. Please go ahead.

**Nikhil:** Yes, thanks. I had just one question, which is would you continue to be more of a design service provider or you would also get into the production part of the movie as in invest in the movie and produce the movies. I'm a little confused there because what I had understood is that on the Ayalaan movie You were also a co-producer which is you invested money in actually making the movie. Is that right or wrong? That's the first question. And what is the plan ahead is the clarification I wanted?

**Bejoy Arputharaj:** Okay. So in Ayalaan, we have worked in a deferred payment method. That's it. So the producer is Mr. K.J.R. So we have just associated with him -- because the movie has such a great vision and it has such a great potential, but the cost of our VFX is high and it got stuck due to some reason. So then we had to step in because we were counting on this movie big time for our marketing purposes and we really wanted this movie to release so that we can cash out on the outcome of the movie.

So that's the reason we partnered up with them and we worked on a deferred payment basis. So moving forward, we will not be producing or anything. At the moment, we don't have that kind of idea.

**Nikhil:** So when you said deferred payment, meaning you just kind of -- was the payment linked to the success of the movie as in what revenues the movie generates or was the payment already defined, but you just deferred the payment?

**Bejoy Arputharaj:** No, it is defined, but deferred the payment. Yes. So we got some rights, which is a...

**Nikhil:** It's not dependent on whether the movie does well or does not do well.



- Bejoy Arputharaj:** No, no, it is not. It is not dependent on that. It is not dependent on that. And we had a minimum guarantee on everything.
- Nikhil:** Understood. So going forward also, all our contracts will be as a pure service provider or a design studio.
- Bejoy Arputharaj:** Yes, yes. Service provider.
- Nikhil:** Not getting into the production part of the movie because that's a completely different ballgame.
- Bejoy Arputharaj:** Different ballgame, yes. At the moment, we don't have an idea, yes.
- Nikhil:** Don't have an idea on that. Understood. Perfect. And the other question was, we keep seeing these alerts from a lot of AI tools on how the movie industry or the filmmaking industry is getting disrupted. Now, I know I appreciate that today there may be no impact as such and these things may still be fairly initial and nascent. But if you just take a two, three year view the way technology is really advancing and there are parts of the filmmaking process or for that matter, even music process, which is now getting or will get completely done by, say, an AI tool or an AI platform.
- How much of a threat, not today, I'm saying over a two, three, four year window, can this really have on the business? Because I don't think we can control the way technology is spreading. Most companies will ask, they'll say today there is no impact, which is absolutely fair and right. But how do you see the trends shaping up in the medium term?
- Bejoy Arputharaj:** As you know, the technology always will be evolving and we have to adapt to it and live with it. So, at Phantom, we are -- right from the beginning, we are on the technology end. And anything new that comes in, we have readily accepted and evolved along with it. And throughout the years, we have made sure that technological advancement has helped us to garner more revenue and prospects out of it.
- So that is the way Phantom has moved along with any technological involvement. And in terms of AI, we have already started implementing a lot of AI tools and AI methodologies into our pipeline, which is saving a lot of time. So in terms of filmmaking, I know it is purely a creative process. And when it comes to AI, it generates something and you have to build your story around it at the moment.
- So, for me, I don't see anything going to replace completely or making us go out of job immediately. But going forward, definitely there will be certain improvements and new technology coming from AI, which we will be implementing into the pipeline, which might probably help us to save more time by reducing the manpower or something, but it will not definitely replace anything here.
- Nikhil:** Understood. And last question, sorry, if you could just repeat the fiscal '25 year ending March '25, the revenue estimate, which is there, I just missed that.
- Bejoy Arputharaj:** Yes, I think the guidance for FY24 is in the range of INR90 to INR95 crores, which means we expect to do the same revenues in Q4 or a little better than that. So, 5%-10% which means we are also looking at 50% top line growth in the next financial year, which is FY25, over what we would have ended up with in FY24. And that's how you reach that number.



- Nikhil:** Of say roughly 135.
- Bejoy Arputharaj:** 135 to 140. Yes. The math is simple. Yes.
- Nikhil:** This would be with some ballpark is EBITDA margin of what number can we pencil in?
- Bejoy Arputharaj:** I would say with PAT margins of around 30% and EBITDA could be in the range of 43% to 48%, 50%. So, it again depends on the product and the revenue mix, the amount of international business that we may end up doing. So, we are very optimistic in terms of the market internationally. So, that obviously has a direct impact on the margins and the resulting EBITDA and PAT.
- Nikhil:** Understood. So, say roughly ballpark is 45% EBITDA margin.
- Bejoy Arputharaj:** Yes. A little bit more than that. But PAT is something that we also look at very closely. Of course EBITDA is a significant measure. We also look at PAT and then we definitely expect to increase PAT from about 27% to 28% FY24 by at least three to four points.
- Nikhil:** Understood. And one last question was on the UK presence which you spoke about, now the impression which say at least I had is that the bigger movie making market is clearly the US which is Hollywood. And UK purely in terms of production of new movies is not that significant on a global parameter. So, I'm just curious to understand why not double up in the US which is the bigger market, some other market instead of spreading to geography like UK.
- Bejoy Arputharaj:** No, spreading to UK is not just because we are targeting UK market. Of course we know we are aware of the North American region and we are tirelessly working on expanding the division here. But Phantom doesn't want to contain ourselves into an American company. We want to be a global player. So, we want the European market to be concentrated more. So, that's the reason we are going to UK like from there we are going to operate till covering all the European region.
- We are also working on some new hiring in Europe as well. So, and as we speak we are working on the Middle East market as well. So going forward it's going to be all around the globe. It is not just about Europe or UK or the North American region. But it's going to be all over the world that we will be our presence will be established and we will be pulling business from.
- Nikhil:** Understood. Great. Thank you so much. Thank you.
- Bejoy Arputharaj:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Pranay Jain from D Wealth. Please go ahead.
- Pranay Jain:** Yes. What's the kind of work opportunities you are looking at in the Middle East?
- Bejoy Arputharaj:** There are a lot of films being made and commercials and other opportunities that we are currently discussing which I cannot disclose now. But there are other opportunities as well. So, there are so many potential clients and progress happening as they are converting their economy from the gas to other sources. So, they need a bigger picture of their growth and there are so many promotional activities happening. So, we are being a part of it.



- Pranay Jain:** Overall, for the projects that we are servicing for our overseas clients, presently how much of it is directly obtained versus through agents or indirect means?
- Bejoy Arputharaj:** There are no agents for us. We are directly acquiring projects.
- Pranay Jain:** So, I understand whether it is Netflix content or some large Hollywood studio movie. But you are saying even content which may not be big budget that also we are directly tying up with the studios or directors or key decision makers?
- Bejoy Arputharaj:** Yes, everything. Right from the beginning, Phantom is dealing with direct clients, direct production houses. So, we are directly working with directors and DOPs and we are in touch with almost all the creatives all over the world. And for the Indian content, of course, like I said, we will not quit the Indian market but we will be working on high-end projects which yield good profit.
- So, we will be limiting our resources for the Indian content. If there is going to be a huge film coming in, definitely Phantom's name will be there as we have established our name very well in the market. We will be working on good profit yielding projects going forward.
- Pranay Jain:** So, what is the revenue range we can look from overseas markets out of the 135 estimate we have for FY '25?
- Bejoy Arputharaj:** I think you can assume 55%-60% of the overall total.
- Pranay Jain:** And the payment terms of these overseas projects would be what in the range of 30-40 days after billing, collection?
- Bejoy Arputharaj:** Yes, it depends on the size of the project that we work on. Obviously, if it is a long project, the timelines are ideally staggered to meet the overall timeline. Otherwise, I think anywhere between 30-60 days is something that you can look at.
- Because that is also another critical element that we are looking at as we are looking at some of these projects and orders that are coming by or even the requests that are coming by. So, we will have to safeguard our cash flows and make sure we don't bleed at the end of the day.
- So, we are equally wary of that. We would definitely work in that direction and see how we can stabilize this.
- Pranay Jain:** Got it. And since you are looking at 55%-60% coming from overseas, are we looking at some key talent on the production side, direction side to be on-boarded who can help us reach not only next year's goal but sort of keep the momentum from here on?
- Management:** Yes, we are already working on it. As you know, we are announcing all this information to the public. So, more good announcements will be coming in the next couple of weeks or few months.
- Pranay Jain:** All right, great. Looking forward to that. Thank you and all the best.
- Management:** Thank you. Thank you.



- Bejoy Arputharaj:** Can we have a time check, Aditya?
- Moderator:** Yes, sir. It's 1.17. We can take a last question or should we close?
- Bejoy Arputharaj:** Yes, Yes, Yes. We could take this last question, please.
- Moderator:** Okay, sir. Next question is from the line of Imran from Longbow, India. Please go ahead.
- Imran:** Hi, thanks for the opportunity. Sir, I have one question, only one question in fact. Your guidance of INR135 crores-INR40 crores next year, does it include any of the revenues that you would be doing through an acquisition or this is pure organic revenue?
- Bejoy Arputharaj:** It will be largely organic but it can also be a mix because we are also looking at inking few deals in terms of acquisitions currently. It could be a mix of both but largely organic, I would say. But we'll have to see how it would pan out.
- I'm sorry, I'll just give you an additional point here. So, actually the plan here, based on the acquisition, so the value is getting added. Like when Phantom joins, their capacity to pull in more projects is adding up.
- So, the main reason of acquiring the company is not just to utilize their profit but, through them we will be able to pull in more business. So, it's kind of an organic reach but we are just increasing their, capacity to execute more work. So, I think it's more of organic in that way.
- Imran:** Right. And just for a follow-up, and this is purely unrelated. See, out of the, the money that you have raised, how much do you think you would be using as a combined entity in the next one year and what would be the remaining balance in your balance sheet if you have an idea on that?
- Bejoy Arputharaj:** Sorry, come again. We lost you in between.
- Imran:** Yes. So, what I was asking is, I think you have raised some INR75 crores-INR80 crores and you must be having a decent nice cash balance as of now. I'm just thinking how much of that you can utilize in the next one year and what amount would be taken forward for the next year.
- Bejoy Arputharaj:** I think there is a very clear staggered plan in the placement document. So, I mean, we are expecting to use about 50%-60% of this money in the next year or 18 months. Again, it would all depend on any other acquisitions or any other critical element that would come our way. But we can safely assume to use in that range at this point of time.
- Imran:** Got it. Thank you so much and all the very best.
- Bejoy Arputharaj:** Thank you.
- Management:** Thank you everyone.
- Moderator:** Thank you. Thank you. Ladies and gentlemen, that was the last question for the day. I now end the conference over to Ms. Chandni Chande for the closing comments.



**Chandni Chande:**

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

**Moderator:**

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

