



UFO Moviez India Limited Q2&H1FY18  
Earnings Conference Call

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**MANAGEMENT:**

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**Moderator:** Ladies and gentlemen, good day and welcome to the UFO Moviez Q2&H1FY18 Earnings Conference Call hosted by Centrum Broking Limited. 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 the operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ankit Kedia from Centrum Broking. Thank you and over to you Sir!

**Ankit Kedia:** Thank you Lizaan. I would like to thank all the participants for dialing into the UFO Moviez Q2&H1FY18 earnings conference call. From the management, we have with us Mr. Sanjay Gaikwad, Founder & Managing Director, Mr. Kapil Agarwal, Joint Managing Director and Mr. Ashish Malushte, Chief Financial Officer. Over to you Sir for your opening remarks.

**Sanjay Gaikwad:** Thank You, Ankit. Greeting everyone and thank you for joining us on UFO’s Q2&H1FY18 earning call.

The Advertising industry went through one more quarter of sluggishness and Q2FY18 was one of the toughest quarters for UFO Moviez. Consolidated Revenues and Net Profits de-grew by 13% and 44% respectively over Q2FY17 on account of weak advertising performance combined with the negative impact of planned D-Cinema sunset.

Our advertisement revenues grew over 50% to ₹517 Mn last year in Q2FY17, which was generally much higher than other media Companies, this appears in the base quarter of Q2FY18. As a result, our Q2FY18 advertisement revenues were lower by 28% Y-o-Y at ₹372 Mn on a high base. During H1FY18, our advertisement revenues de-grew by 5.4% Y-o-Y to ₹865 Mn. Advertisement spends during the quarter and half year were muted on account of weak content, GST implementation, lingering impact of demonetization and slowdown in Government advertisement spends.

Our advertisement revenue contributed 27% of total revenues from operations compared to 33% in Q2FY17. Corporate advertising de-grew by 8% Y-o-Y while Government advertising de-grew sharply by 43% Y-o-Y.

In Cinema Advertisement inventory utilization during the quarter stood at 3.52 minutes per screen per show compared to 5.15 minutes in Q2FY17, de-growing by 31.6% Y-o-Y.

Caravan Talkies for the first time operated a peak of 25 vans in Q2FY18 during monsoons. Caravan Talkies contributed ₹11 Mn of advertisement revenue during the quarter compared to zero revenue in

Q2FY17. Our 360 degree activation and brand experience is being liked by clients and we believe that we should be able to build on Q1FY18's momentum.

During the quarter, D Cinema VPF gross revenue declined by ₹118 Mn YoY and the net revenue was down ₹77 Mn YoY on account of planned D-Cinema sunset.

With regards to the Scheme of Arrangement and Amalgamation with Qube Cinema Technologies Pvt. Ltd., as part of the regulatory approval process, the applications for seeking in-principal approval from the exchanges has been made and we are on track as per schedule.

Finally, the Company's DSOs stand at 104 days compared to 90 days as on March 31, 2017. On UFO's financial position, as on September 30, 2017, Net Cash stood at ₹520 Mn despite payment of ₹276 Mn towards Dividend and payment of ₹170 Mn towards buying out the remaining minority shareholding of Scrabble Entertainment Limited during the quarter.

With that, I open the floor to take your questions.

- Moderator:** The first question is from the line of Rishi Maheshwari from Aksa Capital.
- Rishi Maheshwari:** Why have Government revenues declined, is it on account of State Government, Central Government or PSU? Are advertisement contracts short-term in nature, if yes, what helps you to give guidance for the full year?
- Kapil Agarwal:** It was largely contributed by decline in the Central Government revenue. This is the first time in last the few years that we have seen this kind of decline. Government Advertisement revenues have nothing to do with films, each ministry decides the duration of the campaign irrespective of the movie. We believe that this advertisement slowdown at the Central Government level is a temporary phenomenon and it is changing in the second half of the current quarter. Therefore, we would not give any guidance till we see complete uptake happening.
- Rishi Maheshwari:** What gives you the confidence that this will spike up again?
- Kapil Agarwal:** Some changes in the system and processes have led to a temporary decline. That is why, we are saying that it is a temporary phenomenon.
- Rishi Maheshwari:** There is pullback by some corporate advertisers because of GST, what are your observations over the last month-and-a-half and has some of it stabilized?
- Kapil Agarwal:** The overall advertisement de-growth has been 28%, but the Government advertisement de-growth has been 43% while de-growth in the Corporate sector is 8%. While everybody is saying that the GST

impact has gone, they talking about very large advertisers. We are talking about advertisements from smaller advertisers where the GST impact is still lingering. This impact was going to go away with the release of one large film which was going to release this quarter but because of the deferment of that film, the impact is still being felt. This impact is slowly going away and next quarter should be better hopefully.

**Rishi Maheshwari:** The advertisement revenue has considerably declined, has it been on account of pricing and do you think pricing has a scope for improvement?

**Kapil Agarwal:** The minute utilization has gone down ~32% while the overall revenue has declined ~28%, so pricing has not come under pressure. As a policy we do not compromise on the price despite minutes being under pressure.

**Moderator:** The next question is from the line of Harsha MVR from Photon.

**Harsha MVR:** What is your revenue sharing arrangement with exhibitors, why is it 43.1% this quarter compared to 27.4% in Q2FY17?

**Kapil Agarwal:** There are contracts under which we give exhibitors fixed advertisement revenue share. As our advertisement revenues keep going up in percentage terms, that share keeps coming down. Since advertisement revenues have declined this time, the share looks higher in percentage terms.

**Harsha MVR:** How is the fixed share calculated?

**Kapil Agarwal:** In Non-South India, the sharing generally with exhibitors is ~25% and the lease rental is high while in South India, sharing is ~10% and they give less rental or do not give any rental. We give a fixed revenue share of ~₹10,000 per screen per month or ~₹20,000 per screen per month to smaller multiplex chains that we want with us.

**Moderator:** The next question is from the line of Ankur Periwal from Axis Capital.

**Ankur Periwal:** There was no pressure on advertisement realizations this quarter despite weaker content, was the 8% decline in Corporate advertisement revenues largely because of weak content or was there some volume cut because of GST?

**Kapil Agarwal:** It was a combination of both; we felt the heat of GST coupled with weaker content. In fact, we are still feeling the heat of GST.

**Ankur Periwal:** Are you seeing the same pressure till now?

- Kapil Agarwal:** We are seeing the pressure because of the deferment of the large release, that impact is seen because a lot of money was being put on that content by Corporate advertisers particularly.
- Ankur Periwal:** Slowdown in Government advertisement was largely led by Central Government, print media advertisement also witnessed similar slowdown from Government spends, is this slowdown across the media space and do you think there is some revival going forward?
- Kapil Agarwal:** It is a temporary phenomenon. In fact, the first half of this quarter was under pressure and currently the uptick has started. Things should restart in the Central Government by end of Q3FY18.
- Ankur Periwal:** On Caravan Talkies, we operated vans and also reported revenue this quarter versus Q2 last year, how are advertisers responding and do you have any expansion plans?
- Kapil Agarwal:** We have been trying to bring some structural changes in Caravan Talkies. Last year during monsoon, Caravan Talkies was non-operational. This year, we were able to convince clients that it does not raining all the time. 25 vans were running during monsoon. Secondly, we are systematically increasing the price. We wanted to establish a higher price for these vans from the beginning, so in Q2FY18 our pricing was more than doubled as compared to Q2FY17. Finally, expansion will take place only when we are able to sell all the vans at a higher price because we want to establish a certain margin in this business.
- Moderator:** The next question is from the line of Urmil Shah from IDBI Capital.
- Urmil Shah:** On Caravan Talkies, has the outlook also got impacted versus what it was at end of Q1FY18 because we sounded more positive at time?
- Kapil Agarwal:** Our outlook has not changed; we are very bullish on Caravan Talkies. The quality of advertisers on Caravan Talkies is absolutely outstanding. Top Companies of India are currently our clients and they are consistently coming back. Secondly, in some cases we have tripled the price and they are still willing to spend on that because that area is lying absolutely maiden and they have no way to reach that clientele. We are absolutely bullish on Caravan Talkies as spends are moving to rural areas as the consumption patterns are moving there. We are becoming more confident as we have been able to consistently increase the price.
- Urmil Shah:** Would you be hitting the Q1FY18 run rate of vans in Q3FY18?
- Kapil Agarwal:** We should be able to achieve that because our pricing has been pushed up in Q3FY18 more what it was in Q1FY18.

- Urmil Shah:** How much impact would the large movie which was supposed to release would have had on your guidance?
- Kapil Agarwal:** Some revenue definitely goes away, which could have been there as it is a perishable inventory. This revenue would be in addition to the revenue which will be generated during Tiger Zinda Hai.
- Urmil Shah:** Are all UMW screens empanelled with DAVP?
- Kapil Agarwal:** Yes, they have been empanelled under UFO with DAVP. The integration is complete and we will see the full impact in the quarters to come. In Q2FY18, Advertisement revenues on UMW screens were under pressure like it was on UFO screens because the overall Government revenue went down.
- Moderator:** The next question is from the line of Amit Kumar from Investec Capital.
- Amit Kumar:** Why is there so much focus on pricing, considering our current utilization level is 20% - 25% of multiplexes, since platforms typically focus on pricing benefits once they hit 70% - 80% utilizations?
- Kapil Agarwal:** We specifically mentioned that, we are completely driving a volume led growth and we are not pushing up the prices. We start increasing prices when the utilization reached ~10 - 12 minutes of inventory. In the last three years, pricing must have increased by 10% to 12%. As far as Caravan Talkies is concerned, because the business is in the infancy stage, we want to establish the right price first. We have only 114 vans and I am happy selling 50 vans at two times the price than selling 100 vans at the half the price. Going forward, our on-screen inventory will further go up once the Scheme of Arrangement and Amalgamation is approved with Qube Cinema Technologies Pvt. Ltd. That is why it is very important that we do not compromise on pricing.
- Amit Kumar:** Two months of Q3FY18 have gone by; you mentioned that the Government advertising in the middle of Q3FY18 has started picking up, what is the trend you are seeing on the Corporate side?
- Kapil Agarwal:** We have seen that advertisement revenues have been under pressure on both Government as well as Corporate segment. Corporate revenues have been under pressure because of continuing impact of GST and demonetization. All advertisers explain us that why should they advertise if they are not able to sell. But we are slowly seeing this impact going away.
- Amit Kumar:** Judwaa 2 and Golmaal Again were two big films that released in Q3FY18 and because of demonetisation last year the base should also be smaller, why are you saying that you are still not seeing any growth on the Corporate side?
- Kapil Agarwal:** The base quarter was made up of two parts, first was the pre-demonetisation period and second was the post-demonetisation period. We saw ~55% growth in the first 40 days pre-demonetization last

year. The post-demonetisation full impact came by the end of November, so the first two months in the base quarter were not that bad, but there was a complete drop in December. As a result, full demonetisation impact was not there in Q3FY17.

- Moderator:** The next question is from the line of Kashyap Jhaveri an Individual Investor.
- Kashyap Jhaveri:** What has been the operating cash flow generation during the quarter, is it ~₹66 Crore in H1FY18? On slide #14 in your presentation, the number of seats per screen per show in case of single screen theatres is ~512 and for multiplex is ~268, why is this number so high for single screen theaters?
- Ashish Malushte:** Yes, operating cash flow generation during the quarter was ~₹66 Crore.
- Kapil Agarwal:** Traditionally outside the metros of India, there were only one or two screens per theatre in a city or town and typically these screens were in the range of 800 to 1,100 seats per screen. Whenever a reel came to a town, the idea was to show it to maximum number of people because it was not available everywhere. Now, many theaters have renovated and brought down the average seating capacity to below 600 seats. Our average seating capacity across 4,000 screens is around 480 seats. The average for multiplex screens is 268 and single screens are 512.
- Moderator:** The next question is from the line of Janiel Jhaveri from J&J Holdings.
- Janiel Jhaveri:** What amount was paid out for acquiring the remaining stake of Scrabbles Entertainment Limited and how much money was paid out as dividends and what is our net cash at the end of this quarter?
- Kapil Agarwal:** ~₹27 Crore was the Dividend and ₹17 Crore was paid for Scrabble Entertainment Limited's stake and after that our Net cash stood at ₹52 Crore as on September 30, 2017.
- Janiel Jhaveri:** What is the gross debt and what is the average interest rate?
- Ashish Malushte:** Gross debt as on September 30, 2017 is ₹78.5 Crore. The average interest rate is ~9.1%.
- Janiel Jhaveri:** When is this gross debt going to be paid completely?
- Kapil Agarwal:** Debt creation and repayment is a continuous process. Whatever we buy new equipment, we establish our LC and despite having cash, that money get converted into new debt and then we also keep repaying the old debt. It is a continuous process and that is why we do not really consider how much debt is there. We always look at our net cash position. Technically, we can repay all debt but strategically we do not do it.
- Janiel Jhaveri:** We have about ₹130 Crore, do we generate interest income on that?

- Kapil Agarwal:** All money is in our treasury operations and we do generate interest on it but it does not get generated at the rate of 9%.
- Janiel Jhaveri:** Is it because some of it is abroad?
- Kapil Agarwal:** That is correct.
- Janiel Jhaveri:** Do we intend to bring back all the money and earn interest over here?
- Kapil Agarwal:** We continuously keep bringing money to UFO by declaring dividends from our overseas operations.
- Ashish Malushte:** Our current quarter's standalone finance income is high on account of dividend, which was passed through from the international subsidiary ultimately into the ultimate holding Company.
- Janiel Jhaveri:** Have we declared the results for Qube or are we not giving Qube's results?
- Kapil Agarwal:** Qube is separate entity, Qube's numbers are not going to get published along with UFO till the Scheme of Arrangement and Amalgamation is completed and we get requisite approvals.
- Janiel Jhaveri:** How is Nova Cinemaz progressing and how many screens do we have and how many are planned for next year?
- Sanjay Gaikwad:** Currently, 7 screens are operational and there are 13 screens under construction which are Brownfield projects. There is one agreement signed for a Greenfield project in Pune.
- Janiel Jhaveri:** How much money have we invested so far in Nova Cinemaz?
- Ashish Malushte:** There is no major investment that goes from UFO into Nova Cinemaz. We have a budget of ₹15 Crore to set up 50 prototype screens and that budget is still not fully utilized.
- Janiel Jhaveri:** Do you see this as a growth area or what is your initial feel from the 7 operational screens?
- Sanjay Gaikwad:** This Nova Cinemaz is designed for Tier-II, Tier-III towns and cities that are heavily under screened. It is a franchise based model and we feel that there is a need for 15,000 to 20,000 screens in India and Nova Cinemaz is an initiative that will drive screen growth through fragmented ownership, and the end objective is to grow UFO's core business by adding captive screens. The real growth in terms screen addition will start after 1.5 to 2 years. We are also working with the Government for a one window clearance, once everything falls in place, the interest levels will become extremely high.
- Janiel Jhaveri:** There was a small acquisition of an online ticketing Company; can you update us on that?



- Kapil Agarwal:** Basically we had declared the acquisition of 76% equity of that Company and under the agreement they had to take certain actions and fulfill certain conditions within a long stop date, that Company being acquired and their management did not fulfill those conditions or could not complete those actions by the given date, so we called it off.
- Moderator:** The next question is from the line of Yash Jhaveri an Individual Investor.
- Yash Jhaveri:** Can you help us understand the rationale for the preferential issue given that we have ~₹130 Crore of cash on the books, why is this additional dilution being done?
- Kapil Agarwal:** Firstly, while the Company has ₹130 Crore of cash on its books, the fact is that, in the Scheme of Arrangement and Amalgamation with Qube Cinema Technologies Pvt. Ltd, we are buying certain equity from their existing Private Equity shareholders to the tune of ₹117 Crore. We will need to put that cash on the table when this transaction gets consummated. Secondly, most of the institutional investors are very uncomfortable that the Promoter's equity is going down, because of this Scheme there is a 31.7% dilution. The institutional investors wanted to see higher Promoters stake, that is why UFO's Promoters have decided to invest additional 5%.
- Yash Jhaveri:** Is the fully diluted share base assuming all the warrants are exercised and the mergers consummated 42,694,245?
- Kapil Agarwal:** That is correct.
- Yash Jhaveri:** Immediately ₹45 Crore is going to come and the remaining is going to come over 18 months, I am unable to understand the rationale because we are comfortable with our debt position, and we have excess cash and ₹117 Crore anyway is less than ₹130 Crore cash which is on our books?
- Kapil Agarwal:** The two reasons are, there is an additional cash requirement and the Promoter wants to improve his stake.
- Yash Jhaveri:** Could this be achieved through market purchase or buyback?
- Kapil Agarwal:** The Promoter did consider that and was very happy to purchase when the stock was ₹320. But, because of the ongoing strategic initiatives, the Promoter was constantly in possession of some price sensitive information. Hence, the moment the Promoter buys stake from the market and some initiative is declared, everybody would feel that the Promoters have taken the market for a ride. So we decided to do it in a transparent manner instead of being accused of playing with any insider information.
- Moderator:** The next question is from the line of Anup Nambiar from Equity Intelligence India.

- Anup Nambiar:** One small clarification, on note number 5 of Regulation 33, we have acquired a small Company, PJSA Technosoft Pvt. Ltd. (PJSA) for ₹1 lakh, what is this regarding and are we acquiring any liability along with it?
- Kapil Agarwal:** PJSA is part of the overall Scheme of Arrangement and Amalgamation with Qube Cinema Technology Pvt. Ltd, so as per the Scheme, all technologies which will be coming from Qube will be moved to PJSA. We are creating a separate technology Company, which will be 100% subsidiary of UFO and those technologies and new businesses will be transferred into PJSA. This Company was created only for the purpose of having a technology subsidiary of UFO as part of the overall Scheme. This is a brand new Company, which was created only for this purpose and there is no assets and liabilities. It just has a share capital of ₹1 lakh on one side and ₹1 lakh sitting in the bank account minus the formation expenses on the other side.
- Anup Nambiar:** On this Technology Company, would this be purely for an in house purpose?
- Kapil Agarwal:** As part of the overall Scheme, Qube has certain new initiatives and some technologies, which have global applications and the idea was to not mix that with the existing business and keep those businesses separate by creating a separate profit center. It will be a 100% subsidiary of UFO Moviez, Also, the skill set required for running that Company is very different because it is a technology Company.
- Anup Nambiar:** Any update on the timeline for the Qube merger?
- Kapil Agarwal:** We announced the merger on November 1, 2017 and we have been guided by lawyers and merchant bankers that it is a 9 to 10 months process. We have to go to stock exchanges for SEBI approval, post that applications will be made with NCLT Mumbai and Chennai as we are a Mumbai registered Company and they are a Chennai registered Company. Once SEBI and both NCLTs have approved the Schemes, there is involvement of Reserve Bank of India because there are overseas remittances involved to the existing investors in Qube.
- Moderator:** The next question is from the line of Ronak Shah from SJC Capital.
- Ronak Shah:** How has UFO Framez performed during the quarter?
- Kapil Agarwal:** Framez was very severely impacted because of GST and continuing impact of the demonetization. The lower strata of the local advertisers who advertise on Framez were worst affected.
- Ashish Malushte:** The average monthly revenue from this stream has been ₹21 lakh, annualized revenue was close to ₹2.5 Crore this quarter, which was in the range of ₹ 4 Crore annualized in Q1FY18. The average spot rate in Framez has been encouraging; it is in the range of ₹95 to ₹100 per minute spot.

- Ronak Shah:** What is the revenue share in Framez compared to Corporate and Government?
- Ashish Malushte:** Revenue share arrangement remains the same. It is a global arrangement with theaters and it does not change depending upon the different revenue streams that UFO garners during a particular period.
- Ronak Shah:** Is there a payout to Sales Associated?
- Ashish Malushte:** The revenue is net of any payments to be made to Sales Associates. We do billing directly to our Direct Sales Associates, there is no further commission that gets paid to Sales Associates from this revenue.
- Moderator:** The next question is from the line of Abhishek Jain from Vallum Capital.
- Abhishek Jain:** Is the D Cinema sunset on track, how much is the D Cinema Sunset impact for the end of FY18? How will you compensate this sunset loss?
- Ashish Malushte:** The sunset impact is the planned loss on account of D Cinema business line of UFO is on track. In FY18, there is an estimated ₹23 Crore of EBITDA loss out of which close to ₹13.5 Crore has been already accounted in our first six months. The remaining six months would have another ₹9 Crore to ₹11 Crore EBITDA impact out of the current year projection. This loss will be compensated through increase in the advertisement revenues and new initiatives that we have planned and also additional revenue that we generate from our core business.
- Abhishek Jain:** Will Qube plus UFO get better pricing in the advertisement space?
- Kapil Agarwal:** Qube plus UFO is still to be understood. We are present in around 1,200 unique location in the country and Qube is present in around 900 unique locations and around 400 to 500 are common, together we will be present in 2,500 plus locations. We will be able to provide a complete end-to-end solution to clients. With that kind of solution, we will be able to get good utilization at good pricing, but it is too early to say anything today because that impact will come only once the Scheme is approved.
- Abhishek Jain:** How much D Cinema business is going to sustain after the sunset clause?
- Ashish Malushte:** The Hollywood studios revenue goes away both in international and domestic markets but the theaters which are using the DCI system also run domestic content and revenue from domestic content would continue.
- Abhishek Jain:** How much is that in percentage terms for international revenues?

- Kapil Agarwal:** On the slide #17, internationally, net is 27% to 30% of the gross billing and that 27% to 30% eventually would go away.
- Moderator:** The next question is from the line of Urmil Shah from IDBI Capital.
- Urmil Shah:** We have two synergies from the Scheme, one is measurement and the other is joint go-to-market, can we expect both the things can start working on UFOs network by end of FY18?
- Kapil Agarwal:** We will be taking any action in this regard only after the Scheme is approved.
- Moderator:** The next question is from the line of Vipul Shah an Individual Investor.
- Vipul Shah:** What is the difference between our yield on Government advertisement and Corporate advertisement?
- Ashish Malushte:** There has not been any significant yield difference between Government and Corporate. The Government has been slightly on a higher level as compared to Corporate.
- Vipul Shah:** What is the current number of active Caravan Talkies vans?
- Kapil Agarwal:** Currently we are operating 29 vans and these vans are now operating at more than two times the price. Instead of selling 60 or 70 vans, we have decided to sell fewer vans and establish the price.
- Vipul Shah:** 70 vans are idle at present, right?
- Kapil Agarwal:** They are on standby; there are a lot of proposals from various clients.
- Moderator:** The next question is from the line of Janiel Jhaveri from J&J Holdings.
- Janiel Jhaveri:** How many subsidiaries do we have now and which ones do we not own fully?
- Kapil Agarwal:** All subsidiaries of UFO are 100% subsidiaries except VDSPL where the Nova Cinemaz and Caravan Talkies are housed. That subsidiary is an 80% subsidiary and balance 20% stake will be bought by us in the middle of 2018. We believe in keeping all subsidiaries as 100% subsidiaries. Expect Scrabble Entertainment Limited, all other subsidiaries are currently getting merged with UFO for which already a Scheme of Amalgamation has been filed and we are awaiting for final approvals. Ultimately, you will see post both the Schemes are approved, UFO as one single Company with three subsidiaries. One subsidiary will be the Technology Company - PJSa, the second subsidiary will be Scrabble Entertainment Limited where the D Cinema business is housed and the third subsidiary will be VDSPL where the Caravan Talkies and Nova Cinemaz are housed.

- Janiel Jhaveri:** Will VDSPL also become 100% by next year?
- Kapil Agarwal:** Yes we are already committed to buy the balance 20%, the details are already disclosed in the prospectus and they are already in public domain, the remaining 20% equity will be bought by the middle of next year.
- Janiel Jhaveri:** How much will we be paying for the balance 20% equity?
- Kapil Agarwal:** It is a formula based calculation. It will be linked to the EBITDA of VDSPL. We will see what EBITDA multiple UFO is getting and a discount of that multiple will be given to the EBITDA of VDSPL for 20% stake.
- Janiel Jhaveri:** How much goodwill will be generated on our balance sheet after all of these things are combined, especially the Qube merger?
- Ashish Malushte:** The value that you are going to pay for that business sits in your balance sheet and increases your net worth straightaway, which would have three components. One is tangible assets, which will sit on the balance sheet, second component is intangibles which will not be valued by the business but upon acquisition they become important and those are required to be valued such as the brand value or the value of the contracts and the third component is the goodwill. That goodwill will be driven by the total value of consideration, which would ultimately get determined around the effective date. The increase in the balance sheet size would be the value that we will be paying for this business. What you want to know is what component of that is going to sit in goodwill? For that we would need to wait till the time the scheme comes to a conclusion.
- Moderator:** The next question is from the line of Ronak Shah from SJC Capital.
- Ronak Shah:** As a result of the mergers with wholly owned subsidiary, will the goodwill come down? If you look at the FY2017 IGAAP balance sheet, Goodwill is ₹183 Crore; does that come down substantially after this merger is completed with the subsidiaries?
- Ashish Malushte:** We do not even need the merger to come through for the goodwill to reduce. This is the first year when UFO has adopted Ind-AS and as part of the Ind-AS accounting, the benefit of this merger on the goodwill has already been accounted in the form of a business combination accounting.
- Ronak Shah:** When I look at the current balance sheet, you have reported ₹14 Crore of goodwill.
- Ashish Malushte:** Subsequently when the merger will get over, another ₹5 Crore of goodwill from this will go down.
- Moderator:** The next question is from the line of Prachi Dave an Individual Investor.

- Prachi Dave:** You said that Government advertisement rate might go increase but because of this downturn, is it possible to renegotiate rates?
- Kapil Agarwal:** We do not negotiate rates with the Government. We make an application to the Directorate of Audio Visual Publicity; DAVP which is part of I&B Ministry. They decide the rate. We have been camping with them for the last few years with respect to increasing the rate and that application is under consideration but somehow our application has not been granted. We are continuously following up with DAVP and we are hopefully one day that will happen.
- Prachi Dave:** Do Government advertisements increase due to elections?
- Kapil Agarwal:** It plays two conflicting roles, which neutralizes the impact on each other. During the election period there is a censure on Government advertising, so during that cooling-off period which is certain days before they cannot make any promise or they cannot do advertising, but at the same time political parties come on the platform and they start advertising in their respective constituencies. To that extent, the advertisement revenues go up. Ultimately we feel that there is a neutralizing impact.
- Moderator:** Thank you. Ladies and gentlemen that was the last question I now hand the conference over to Mr. Ankit Kedia for his closing comments.
- Ankit Kedia:** I would like to thank all the participants who joined us on the call and also like to thank the Management to answer all the questions satisfactorily. Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Centrum Broking that concludes today's conference. Thank you for joining us. You may now disconnect your lines.

The transcript has been edited for language and grammar; it however may not be a verbatim representation of the call.