



UFO Moviez India Limited  
Q1FY23 Earnings Conference Call

**August 04, 2022**



**MANAGEMENT:**

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**ANALYST:**

Ms. SHWETA SHEKHAWAT – PRABHUDAS LILLADHER

- Moderator:** Ladies and gentlemen, good day, and welcome to the UFO Moviez India Limited Q1FY23 earnings conference call hosted by Prabhudas Lilladher. 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 “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shweta Shekhawat from Prabhudas Lilladher. Thank you and over to you, Mam.
- Shweta Shekhawat:** Thanks Margaret. On behalf of Prabhudas Lilladher, I welcome you all to the Q1FY23 earnings call of UFO Moviez India Limited. We have with us the management represented by Mr. Rajesh Mishra, Executive Director and Group CEO of the company, and Mr. Ashish Malushte, the CFO of the company. I would now like to hand over the call to the management for opening remarks after which we can open the floor for Q&A. Thank you and over to you Sir.
- Rajesh Mishra:** Thank you Shweta and greetings everyone and thank you all for joining our Q1FY23 earnings call.
- Let me start with the updates and highlights for this quarter.
- Ever since the beginning of the COVID-19 pandemic in March 2020, Q1FY23 is the first quarter wherein we saw no lockdowns, no restrictions on seating capacity, and a steady release of movies from both Hindi and Non-Hindi film industries. At the beginning of Q1, we saw some of the mega releases like the blockbusters RRR, KGF Chapter-2, Beast, etc. All these three movies were South releases dubbed in various languages and released Pan India. If we see from January to April’22, dubbed versions of the big movies from the South contributed almost 60% of the Hindi box office revenue. Especially, the two big releases, RRR which was released in the last week of March, and K.G.F: Chapter 2 which was released in April were the ones contributing the most. As a result of the success of these movies, as well as the steady release of other movies, our theatrical revenues and advertisement revenues started to recover rapidly, and the expectation was that it would recover more rapidly over the next few months. However, the release trend and the success of movies saw a downturn in May and June. Many big star-cast Hindi movies that were released during this period, slumped at the box office, impacting our advertisement and theatrical revenues.
- Nonetheless, in Q1 many movies from the Non-Hindi film industries have been huge hits. Movies from the South Industry have performed exceedingly well even in the Hindi-speaking market. This is a reflection of the change in the audience’s preferences to consume movies of different languages and genres. This has to some extent supported our CDC revenues and we expect this upward trend to continue. The migration of south language films into the Hindi-speaking markets offers additional revenue opportunities to everyone in the cinema value chain and we are happy to have contributed to this shift. This will mean that the volume of films available for release in the Hindi-speaking markets will go up directly affecting our revenues in a positive manner.
- In addition, while Hindi films have struggled in Q1FY23, we strongly believe that these are cyclical vagaries and that the Hindi films that are lagging in terms of release and performance at the box office, will reach their pre-pandemic levels in the coming months. The upcoming line-up that includes some big names like Laal Sing Chaddha, Raksha Bandhan, Brahmastra: Part One, Vikram Vedha, etc. is scheduled to be released over the next 2-3 months and is expected to give a much-needed boost to the Hindi film industry and positively support our theatrical revenues as well as advertisement revenues.
- While the theatrical revenues in this quarter have recovered around 70%-80% of its Q1FY20 levels, the overall advertisement revenues have not ramped up as per the expectation set during the release of RRR, KGF, etc. The recovery in the corporate advertisement revenue is around 55-60% of its Q1FY20 levels. However, significantly lower recovery in Government advertisement revenue restricted the overall recovery to around 40%. Two of the factors that affected this recovery are, firstly, the Government Advt. spending has been very low. Secondly, as I mentioned earlier, there was an absence of back-to-back hits that would have got more corporate advertisers back to the big screen. However, during the release of a few movies like RRR, KGF, and Bhool Bhulaiya 2, we saw good engagement from the advertiser’s side and this gives us confidence that once more movies perform at the box office, the advertisement revenues will recover faster. We expect that the upcoming releases will be able to attract more advertisers back to cinemas thereby boosting the recovery process.

On the Distribution business, it has now started to shape up well. During the quarter, the Company distributed 12 films. The majority of these movies were South films that we distributed in the North Market as part of our strategy to support the core business by way of the steady flow of content to the cinemas in the North. As these movies find a bigger audience in the Non-South Market, our business vertical will see a good ramp up and start contributing modestly. I would like to reiterate that in our distribution business there is near zero content risk.

Now coming to the headline numbers for the quarter ended June 30, 2022. Please note, due to the pandemic, our revenues were severely impacted in FY21 and FY22 and a year-on-year comparison will not be an appropriate comparison. Hence, we have compared our current quarter results sequentially with Q4FY22 for better comparison.

Consolidated revenue stood at ₹906 million in Q1FY23 as compared to ₹561 million in Q4FY22. We have turned EBITDA positive during the quarter as our EBITDA profit stood at ₹98 million as compared with an EBITDA loss of ₹119 million in Q4FY22. Loss at PAT level reduced to ₹25 million as compared to a loss of ₹189 million in Q4FY22.

I would like to take this opportunity to thank all our stakeholders for their continued trust in the Company during these unforeseen times.

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

- Moderator:** The first question is from the line of Niteen Dharmawat from Aurum Capital.
- Niteen Dharmawat:** How many movies are we going to distribute over the next 3 to 6 months and how many of them would be dubbed versions of South movies?
- Rajesh Mishra:** On average, we release around 10 to 12 films in a quarter. As a strategy, we distribute South content into the North markets for two reasons: firstly, it is a low-risk strategy and secondly, it blends well into our core business for providing content to our cinema network. Further, as I said, it has seen increasing traction in the North markets, and strongly believe it will continue going forward. Additionally, if Hollywood films dubbed in various languages work across the globe, there is no reason that films from the same country, the same culture, will not work in the North market and that is exactly how we are proceeding with this. On a yearly basis, we expect to distribute around 40 to 50 films including both big and small films.
- Niteen Dharmawat:** How much revenue are we expecting from the distribution business during the year?
- Rajesh Mishra:** We have kept a very modest revenue target of ₹4 crores to ₹5 crores during the year. What we are doing is a low-risk distribution and we are not investing in the IPR. There is no investment in the IPR of the films, so there is no risk to us. Secondly, we are utilizing and leveraging our existing infrastructure and manpower. Hence, there is no additional cost involved.
- Niteen Dharmawat:** Will this directly go into the EBITDA, as there are no additional expenses?
- Ashish Malushte:** 80% percent of this is expected to go into EBITDA
- Niteen Dharmawat:** We had given discounts on CDC rates during the pandemic. Have we restored back all the discounts and started charging the actuals?
- Rajesh Mishra:** Yes. From April 01, 2022, we have restored the rates and started charging at our pre-pandemic levels. Whatever discounting provided in Q3FY22 and Q4FY22 has been discontinued from Q1FY23.
- Moderator:** The next question is from the line of Saral Seth from Indsec Securities.
- Saral Seth:** What are Prime and Popular screens and how are they different?
- Rajesh Mishra:** This is the bifurcation that we do to categorize our screens into largely two categories. Prime screens are categorized as the ones that largely are multiplexes or prime single screens and are equipped with equipment that is capable of playing Hollywood content. We also categorize them on basis of the ticket pricing. The average ticket prices (ATP) that we are getting in the cinemas also decides whether it is Prime or Popular.
- Saral Seth:** Can you share the number of screens categorized under both these categories?

- Ashish Malushte:** The break-up is given on slide 9 of our investor's presentation.
- Saral Seth:** Do we expect that with more Prime screens in our network, we will also get advertisements spot rates like INOX or PVR?
- Rajesh Mishra:** The better-quality screen will definitely attract a higher level of advertising because they are situated in prime locations. All the main films are released on the first day of their release on these screens. The average ticket price is higher, the quality of eyeballs is higher, so definitely it affects and naturally at any point of time, it is always the endeavor to increase such types of screen.
- Ashish Malushte:** We started showing this breakup between Prime and Popular screens before the pandemic and the primary reason for that was to clear the misconception in the market about UFO's network not being superior or being inferior network as compared to the premium multiplex chains. In addition, there was an assumption that multiplex means only premium multiplex chains in India. Therefore, we decided to make sure that in addition to having a proper understanding of the business, investors also know clearly what kind of two segments of networks your company operates in. More than 60% of the network is focusing on the Prime category, which constitutes majorly of the multiplexes and obviously excludes the premium multiplexes chains in the country.
- Saral Seth:** PVR has guided its advertisement revenue to reach pre-pandemic levels by Q3FY23, so when do we expect to reach our pre-pandemic level?
- Rajesh Mishra:** Q3 is a festive season and we should be getting very good traction by that time. Only thing is that our revenues are divided equally between government and corporate advertising. As I have said in my opening remarks, the government advertising is low, but we hope that it also picks up by that time, but corporate advertising will definitely see an upswing by Q3 for us also.
- Ashish Malushte:** To inform you where it stands today in terms of the percentage recovery if you compare it against Q1FY20, the broad numbers would be in the case of PVR, they probably are around 75% to 77% of Q1FY20 in terms of advertisement revenue and INOX is close to 65% to 66% of Q1FY20. For UFO, we would request you to look at our corporate numbers because that is actually an apple-to-apple comparison with PVR and INOX, and there the recovery is to the tune of 57%. So these are just indicative numbers, from here on we need to keep track and we would like to comment on the performance as it happens and not really at this stage give any kind of outlook or an indication.
- Saral Seth:** Do you anytime plan to enter into the exhibition space given that you have the equipment and the technical know-how?
- Rajesh Mishra:** As of now, we have not taken any step in that regard.
- Ashish Malushte:** So, while we say that, one of the focus areas, and that is where we are actually putting our energies in addition to our core business of digital cinema is the Nova business. NOVA is nothing but an asset-light model for setting up theatres in the areas where there are no screens or currently there is a scarcity of screens. It is a separate focused approach under a separate initiative called Nova and through that we intend to have the centers partly directly and partly through franchisee model, proliferating the growth of the screens across the country. It is a separate business and not directly under UFO.
- Moderator:** The next question is from the line of Vaibhav Badjatya from HNI Investments.
- Vaibhav Badjatya:** I think you said earlier that all our rates and charges are at the pre-pandemic level now.
- Rajesh Mishra:** Yes.
- Ashish Malushte:** Yes, the rates that we are charging in the market.
- Rajesh Mishra:** The distributor charge and the rental to the cinema that is all back to the pre-pandemic level.
- Vaibhav Badjatya:** Okay, so the Advertisement rates are not at that level yet?
- Ashish Malushte:** No, the Ad rates are also more or less at the same level. I was trying to say that there is a difference between the rate and the actual realization. The realization is not fully at the pre-pandemic level in some of the revenue streams like advertising.

- Vaibhav Badjatya:** Realization is dependent on the success of movies and the number of movies released, but the rates are something that probably we can decide based on the overall market situation. So you are saying rates are still not yet at pre-pandemic levels?
- Ashish Malushte:** The rates are at the pre-pandemic level both for CDC and for rental, which is what we call a theatrical business. More or less the rates for advertisements are also back to the pre-pandemic level. In the second part, the actual realization in the case of some revenue streams such as advertisement is not yet at the pre-pandemic level.
- Vaibhav Badjatya:** In terms of bifurcation between Prime and Popular screens, how does that work for the government advertising business? Do the rates differ in the government business between the two?
- Rajesh Mishra:** Government business is more focused on the number of eyeballs that they reach. In fact, they go on the seating capacity criteria of a cinema. A cinema, which is having 500 plus seats, will get a higher rate as compared to a cinema, which has less than 500 seats. Typically, here the single screens get a higher rate as compared to the multiplexes because usually, 99% of the multiplexes are of less than 500 seating capacity.
- Vaibhav Badjatya:** Due to equity infusion we now have a higher capital base and we have some higher borrowings as well. What can be the trigger that can give us a similar return on equity as compared to the pre-pandemic level?
- Rajesh Mishra:** Largely the theatrical revenues are static and are a fixed revenue that we earn on a month-to-month basis, so that does not change. As far as the content delivery charge is concerned, it is dependent on the number of releases and how they are playing at the box office. We are already working towards increasing the content flow in the North market by bringing South content into the North and this should have a positive impact. The main vertical over here would be the advertising revenues, once it ramps up, it will quickly move the needle very fast.
- Ashish Malushte:** There is no increase in the debt versus pre-pandemic levels. Pre-pandemic, our gross debt was around ₹70 crores and even now it is around ₹70 to ₹72 crores.
- Moderator:** The next question is from the line of Akshay Ajmera from Nirzar Securities.
- Akshay Ajmera:** Could you give us some more clarity on how much of the two revenue streams i.e. the content delivery charges and the lease rentals have recovered? Are they at normal levels in terms of absolute figures?
- Ashish Malushte:** In terms of recovery, the revenue from distributors, which is the content delivery charge and the VPF service fee, there is a very fast recovery after we reinstated the rates. The recovery is ~75%-80% as compared to Q1FY20. A similar recovery will be there in the rental revenue, but if you know our model, rental revenue more or less is an offset against the minimum guarantee that we pay to the theaters. It is important for the investors to know that we have now started charging rental to the theaters and they are also in a position to accept the rental billing, which was not the case during the pandemic.
- Akshay Ajmera:** How much is this as compared to this Q1FY20?
- Ashish Malushte:** Rental will be again in the same range about ~75% to 80%.
- Akshay Ajmera:** What would be the CapEx during the year for new equipment and refurbishing or replacement of old equipment this year?
- Rajesh Mishra:** The CapEx will be curtailed currently this year as we have stock of some key equipment's. Hence, we expect the CapEx to be around ₹20 to ₹25 crores this year as compared to the pre-pandemic level of around ₹45 crores.
- Ashish Malushte:** CapEx is something that we control because most of the CapEx we do is in anticipation of a change in the technology or providing better equipment to the theaters. Currently, as we are just recovering from the pandemic, we are making sure that the replacement CapEx is kept at a minimum but there is no restriction for new CapEx when trying to acquire/add new screens to our network. However, as the new screens are also not substantially high, therefore we expect the CapEx to be in the range of ₹25 crores this year as against ₹45 crores pre-pandemic.

- Akshay Ajmera:** Has the Government curtailed Ad spending in other mediums also or is it only for the in-cinema advertising?
- Ashish Malushte:** According to our market intelligence, we believe that they have not curtailed their spending for majority of the other mediums. As regards to spending in cinemas, the Government has curtailed their spending across all the networks and not just for us alone.
- Akshay Ajmera:** What could be the reason for this? Is there a tactical shift away from this medium?
- Ashish Malushte:** No, that does not seem to be the case, because they were the first ones to recognize the power of this medium by giving recognition to it. They give differentiated rates for example to the theaters with higher seating capacity, which actually meant that yes there are certain advertisements, which are necessary to reach audiences though those audiences are not going to the premium theatres. We are in discussion with the right set of people in the system and probably by the festive season, there should be further clarity. However, we hope that the way they have restarted their spending in other mediums will also be implicated in this medium as well. For instance, whenever there is an advanced tax drive, in-cinema advertising is one of the first mediums that is heavily used by the income tax department to pass on that message.
- Akshay Ajmera:** Could you give us some updates on the new initiative that we have undertaken including the OTT platform that we had set up?
- Ashish Malushte:** OTT platform is more or less at the same stage and there has been no significant development. On our Nova initiative, it is now looking more meaningful and the people/franchises interested in it are visiting the prototype in Mumbai to explore what it offers. We have reached a stage where the construction of the first center is expected to be completed in this quarter and we are trying to make sure that it gets operationalized before the festive period. In addition, the construction with some of our franchisees would start at least at two locations, and by Q2, we will have more clarity on the initial traction from the customers visiting these centres. About the third initiative Zinglin, it was again a very small initiative that we started immediately after the beginning of the pandemic. It was more like a short content video platform that has transitioned from that stage and is now at the stage where it is going to be used more for the core business as its second screen and that would be operational around the festive period. On the CapEx outlay or the OpEx outlay, the two initiatives Zinglin and Plexigo, there is no CapEx and very insignificant OpEx. CapEx and OpEx would be there in Nova, and that is something, which would be interesting to see how it pans out.
- Rajesh Mishra:** Nova is a very asset-light model, so the whole model is designed to get volumes and traction in terms of numbers and ultimately tie into our core business of digital cinema.
- Moderator:** The next question is from the line of Arham Shah from Alpha Invesco.
- Arham Shah:** What is the effective rate per minute in the advertisement segment and the inventory utilization per minute in this segment? How do you see it going forward?
- Ashish Malushte:** You can refer to Advt. inventory utilization on slide 10 of our earnings presentation. Our inventory utilization in this quarter stood around 2.8 minutes versus 0.94 minutes in Q4FY22 when the business had just started opening up in February and March. If I compare it with Q1FY20 numbers, then that number will be slightly higher and that is around 3.3 minutes. There has been a significant jump on a sequential basis; however, we are yet to reach our pre-pandemic level. I am talking about the Corporate Advt. minutes because government as we know currently is more like a standstill.
- Arham Shah:** In terms of realization, how do you see it going forward in FY23 and so on?
- Ashish Malushte:** Realization is always a combination of the movies releasing and the demand that is there from the advertisers in a particular week. In spite of the severe impact of the pandemic on the business, marketing sales teams have been able to hold the rates and there was no desperation in dropping the rates to fill the inventory as we believe such an effort would have a negative impact in the long-run. Hence, our rates have not dropped. Now, on your question of how they are going to move from here, again before the rate it is more important to see how the inventory is being filled. Currently, we have a 20 minutes inventory including pre-show and post-interval inventory in every show. As I mentioned, currently we have reached a level of 2.8 minutes and if you compare it with a few of the premium multiplexes, they are substantially higher and are in excess of 15 to 18 minutes. We also believe that we have a significant upside in filling the volume before tampering with the rates. We do not need to really touch the rates because as the volume starts picking up and the inventory starts becoming scarce, the rate automatically starts moving up and this

we have also seen in the pre-pandemic period that whenever there used to be inventory getting filled 200% level, especially during the weeks when there were good movies.

- Moderator:** The next question is from the line of Manan Patel from Airavat Capital.
- Manan Patel:** What is your view on the number of screens going forward because the number of screens in the country has not increased whereas the single screens are closing down? What steps are you taking to increase the screen counts?
- Rajesh Mishra:** The number of screens in the country has not increased over the years and we have seen single screens shutting down. Many of the single screens when they shut down, they normally convert into a two-screen multiplex or a three-screen multiplex. However, the growth rate of the multiplexes and the number of screens that are there in the market has virtually remained static. This means that more number of singles screens are closing down as compared to the number of multiplex properties that are opening up. The way we see the business is that during the pandemic, there has been a decline in single screens. These ones have suffered the most because they were the most vulnerable and the economic impact on them was much more severe than on the larger chains. In terms of our network, even though the number of single screens that have shut down is much higher, there has been a significant increase in the number of multiplex screens thereby improving the product mix. Our focus is to acquire multiplex screens and to ensure that we remain top of the line for these multiplex screens as a digital cinema integrator.
- Manan Patel:** How many screens are there in NOVA?
- Rajesh Mishra:** Nova is an infrastructure business where we are working on creating an asset-light model, which we plan to franchise out to a larger number of people. At present, there is very low traction on this and only one is under construction while a few others are in the pipeline and the construction should start next quarter. Once these 2-3 properties are up and running, it will serve as a demonstration to all other franchises across the country and that is where the traction will come from.
- Manan Patel:** As mentioned in one of the annual reports, NOVA is also a 4-5-year-old initiative and initially we had some 30 to 40 screens. NOVA Kendra and the other utilities might be new, but we should still have the old screens as well.
- Ashish Malushte:** We have 30 screens under NOVA where we primarily do programming and make sure that the content is made available in these theaters. We act as a link between these theaters and the distributors on an exclusive basis and that business is very much on. However, it is a very insignificant business in terms of any scalability or materiality. This was our first step in playing some role in the actual value chain starting from the producer and ending in the theater, which we started in 2015-16. Now what we are talking about is the Nova EUC initiative. It is based on taking inputs from what we learned in the core programming business and that is where we realized that we could play a role of having smaller theatres, but with a significantly good ticket price across the urban and semi-urban areas and on these lines, we started the work in the middle of the pandemic. Towards the end of the pandemic, we had a prototype ready at Bhiwandi and that was used to popularize the concept and get the franchisees to understand the concept in detail. At present, while some franchises are at an advanced stage of discussion, one of the franchisees has moved ahead and has almost completed the construction of the theater in Maharashtra. As I mentioned earlier, we are expecting that this should be operational by November. This will not only help us, but the entire industry to push the overall industry pie when more theatres open. However, out of the original 30-40 theaters, 28 are still operating under the model of programming and continue to make a small amount of money every year.
- Manan Patel:** Can you explain the business model of the new Nova initiative?
- Ashish Malushte:** There are 3 to 4 different variants of this model. One has the franchisee approach to it. The other models are being finalized as we proceed. Hence, I would choose to wait for some more time, have these models posted on my website for the understanding of everybody, and that would happen probably in this quarter. Once those are there on my website, it will be better to address specific questions arising out of them, instead of spending a little elaborate time on this call to explain exactly how each of those models will work.

- Manan Patel:** Is the amalgamation plan of Scrabble and other companies still on or has that been scrapped?
- Ashish Malushte:** It is not scrapped and it was always whether doing it would be better or not doing it would be better and we had actually communicated to the exchanges. The reason why we decided not to pursue it, we know that we were under the Sunset business and Scrabble was supposed to provide equipment to theatres and after five years, we were supposed to get out of that business. For these five years, the Hollywood studios were going to pay VPF fees to us and that was the main revenue stream. Now what happened in the process was that we had built a good relationship with all the Hollywood studios and it was documented in form of an agreement. Now that relationship exists with Scrabble and Scrabble as an entity through their evaluation system have done a similar business, which was successful in the Middle East. The thought emerged that if there exists any opportunity of the same sunset business repeating because of the equipments coming to an end of their useful life and again one more round of 3-5 years sunset coming in though I'm not saying this will come. However, if there was an opportunity or possibility, we decided not to merge Scrabble into UFO and again go through the whole approval process, though it would not have been that difficult, but a completely new process. Therefore, that was a primary thought on why we held it back, and then we realized that there is no significant cost outflow that is happening because of this separate entity. However, this is not something that we would like to keep it going perpetually. Maybe towards the end of this year or early next year, we will have to take a call on whether that is feasible or not and whether should we merge it in UFO or not.
- Manan Patel:** How do you plan to use the funds raised through capital infusion since those funds raised were in order to tide over the third or fourth wave of the pandemic?
- Ashish Malushte:** The funds raised were to help us sail through the pandemic and it helped us when there was some amount of disturbance because of the Omicron variant. However, it was not meant for repayment of debt. On other opportunities like new initiatives, which I spoke about, or in case if there is any inorganic opportunity coming up then we should not be there scouting for money. Again, I reiterate that there is nothing on cards as of now that we are discussing, but if something of that sort comes up then we should not be there scouting for money because pre-pandemic we had a very attractive balance sheet and for us to raise funds or debt funds was easy. However, because of the pandemic, the entertainment industry has been the worst hit and the balance sheets of all the players in this industry were not supporting beyond a point for any further debt raising and therefore we thought that this equity can be with us in case if some inorganic opportunity comes up.
- Moderator:** The next question is from the line of Mudit Yadav from PRY and Associates
- Mudit Yadav:** What is the difference between CDC and VPF revenue?
- Rajesh Mishra:** The amount that is charged to the distributors is content delivery charges. VPF service revenue is the service that we provide to certain chains to collect their CDC or VPF amount and a large part of that is shared back with them and we keep only a smaller service fee component.
- Ashish Malushte:** If it were clubbed it would have colored my CDC where almost 100% of the CDC travels into EBITDA after reducing a small portion of direct expenses. Therefore, from this quarter onwards we have taken a decision of showing the distributor revenue into these two buckets. Pre-pandemic, a sunset clause (with respect to Hollywood releases) was at its peak between 2016 and 2019 and we were showing this revenue from two different segments called E-cinema and D-cinema VPF. In E-cinema VPF, the sharing was only 2% to 3% while in D-cinema VPF revenues were structurally and contractually as planned was shared with the exhibitors. However, that revenue was to undergo a complete sunset and the EBITDA of ₹70 crores that we earned on this sunset revenue in FY15 over a period got over. However, we still managed to increase our EBITDA pre-pandemic from other revenue streams including CDC. We have now stopped showing that categorization because D-cinema is no more relevant as the sunset is over. Therefore, we now want investors to look at the distributor revenue in these two segments. Content Delivery Charges (CDC), where there is no sharing, and VPF service fee where we collect either CDC or VPF from the distributors, and a significant portion of that is shared.
- Mudit Yadav:** How does a blockbuster or even a super hit movie that collects ₹100 crores plus of revenue contribute to our revenue?



- Rajesh Mishra:** This affects us on two fronts. Firstly, the CDC revenue that we collect when the film goes into more screens and is played over more weeks, the CDC revenue gets positively impacted. However, the primary impact of the film doing well is on the advertising business. If a movie turns out to be a blockbuster, it gives very good traction on the advertising front. In contrast, if films are not doing well, particularly in any period, the advertising of that period also gets impacted.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Shweta Shekhawat for her closing comments.
- Shweta Shekhawat:** Thank you. On behalf of Prabhudas Lilladher, we would like to thank the management of UFO Moviez and the participants. Good day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of UFO Moviez India Limited that concludes this conference call. We thank you for joining us and 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.