UFO Moviez India Limited
Q2&H1FY27 Earnings Conference Call

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day, and welcome to the UFO Moviez India Limited Q2&H1FY27 earnings conference call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

The company today is represented by Mr. Rajesh Mishra, Executive Director and Group CEO of the company, Mr. Ashish Malushte, Chief Financial Officer, and Mr. Siddharth Bhardwaj, CEO-Digital Cinema Network business of the company. I would now like to hand over the call to Mr. Mishra for opening remarks, post which we can open the floor for Q&A. Thank you and over to you Sir.

Rajesh Mishra: Thank you. Greetings everyone and thank you all for joining our Q2&H1FY27 earnings call.
Q2 FY27 witnessed healthy theatrical momentum, supported by a diverse content slate across languages and genres.
July opened on a strong note, led by the strong performance of "Spider-Man: Brand New Day", supported by "The Odyssey" and "Dhamaal 4", which contributed meaningfully to overall theatrical activity. "Alpha" delivered a moderate performance, while several smaller releases saw limited audience traction.
August saw a more varied performance across the content slate. "Hanuman Ansh" emerged as a notable sleeper hit, significantly exceeding initial expectations and gaining momentum through strong audience word-of-mouth. "Awarapan 2" also delivered a strong theatrical performance, while "Batwara 1947" underperformed despite expectations around the film. "Toxic: A Fairy Tale for Grown-ups", despite being a highly anticipated release, also fell short of expectations, highlighting the increasingly selective nature of theatrical audiences.
September continued to see varied audience response, with "Mirzapur: The Movie" delivering a strong performance, while "Haiwaan" underperformed and saw limited theatrical traction. Other releases contributed to a mixed content environment across Hindi and regional markets. The quarter concluded with "The Vvaan: Force of the Forrest", which opened with a decent response.
Overall, Q2 FY27 reflected healthy theatrical activity, with strong performances from both major releases and unexpected sleeper hits. At the same time, the varied performance of highly anticipated titles reinforced the importance of content quality, audience connect and word-of-mouth in driving theatrical success. With a healthy pipeline of releases across languages and improving audience sentiment, we remain optimistic about the growth prospects of the business in the coming quarters.
In total, 386 movies were released (including versions/languages) during the quarter, compared to 462 in Q2FY26 and 399 in Q1FY27.
On the screen network front, our advertising footprint now stands at 3,946 screens, comprising 2,606 multiplex screens and 1,340 single screens.
Turning to the key figures for the quarter and half year ended September 2026 –

- The consolidated revenue for Q2 FY27 stood at ₹1,299 million, compared to ₹1,113 million in Q2 FY26. and ₹1,118 million compared to Q1 FY27.
- EBITDA stood at ₹213 million in Q2 FY27, compared to ₹218 million in Q2 FY26, and ₹189 million compared to Q1 FY27.
- The company reported a net profit of ₹64 million in Q2 FY27, compared to a net profit of ₹75 million in Q2 FY26 and a net profit of ₹57million in Q1 FY27.
- Regarding half year performance, consolidated revenues amounted to ₹2,417 million, compared to ₹2,203 million in H1 FY26. EBITDA for H1 FY27 was ₹402 million, compared to ₹411 million in H1 FY26. On the PAT front, the company reported a net profit of ₹121 million in H1 FY27 against a net profit of ₹141 million in H1 FY26.
- The consolidated cash as of 30th September was ₹1,657 million, and the net cash was ₹865 million after considering outstanding debt.

Looking ahead, Q3 FY27 has commenced on an encouraging note with the release of films such as "Drishyam 3", "Jailer 2", "Udta Teer", "Prahaar" etc. The outlook for the remainder of the quarter remains positive, supported by an exciting slate of upcoming releases, including

"Ramayana Part 1", "Sharukh khan starrer "King", "Avengers: Doomsday", "Eetha", "Yeh Prem Mol Liya" and others. With a healthy content pipeline and improving industry sentiment, we remain confident about the theatrical business and our ability to capitalize on the opportunities ahead.
I would like to take this opportunity to thank all our shareholders, exhibitors, advertisers, business partners and employees for their continued trust and support.
With that, I would now like to open the floor for questions. My colleagues, Mr. Ashish Malushte, Chief Financial Officer, Mr. Siddharth Bhardwaj, CEO, and I will be happy to take your questions.

Moderator: First question is from Mr. Ashish, an Individual Investor. Please go ahead

Ashish: Hi, sir. I wanted to know how much accumulated losses are we still carrying on the balance sheet? And secondly, promoter stake has been continuously falling. So at such an attractive valuation, at any point of time, are we evaluating some sort of increasing promoter stake?

Ashish Malushte: Yes. This is Ashish Malushte. So, of the two questions, let me take the second one first.
It's about the promoter stake appearing to be going down. In fact, in the last earning call also, we had clarified this point that this is not a reduction on account of promoter selling the shares. What has happened is in the fourth quarter of last year, one of the IPO-time promoter, Apollo International, underwent the process in year for of depromoterization. And therefore, that company was categorized as non-promoter, as a retail investor.
And that's the sole reason why we see a drop in the promoter holding, whatever you're seeing for last two quarters. So that is the sole reason. So there is no selling or no reduction in the stake of the Founder Promoter Group, which is Valuable Technologies and Mr. Sanjay Gaikwad and Mr. Hete. So that is absolutely intact. As regards the chances of the promoters increasing their stake, most certainly, I agree with you that the valuation is very attractive considering that there is a consistent profitability delivered by the company for last three years even at the PAT level, it certainly appears to be a good opportunity. However, the decision with respect to when and to what extent the stake should be increased is entirely their prerogative. And as of now, we don't have any clear indication in that regard.
You had a second question about accumulated losses. So currently, the accumulated losses for the -- and let me clarify, these are the tax losses, which were accumulated during COVID period on account of near closure of the operations of entire entertainment industry, including us.
Accumulated losses are the tune of close to INR 119 crore, and that is the accumulated losses that actually stands in my balance sheet in the form of a deferred tax asset. It has two components. One is what can be carried forward perpetually. And the other which we need to realize in next four years' time.

Ashish: I just wanted to confirm that point of -- I wanted to know, as per Companies Act, since we have not been able to either go for a dividend or buyback because of accumulated losses, right?

Ashish Malushte: Okay. So that's a good point. And to answer your question, no. If the current situation of the company is that there are no Companies Act accumulated losses in the balance sheet.

Ashish: Yes, sir.

Ashish Malushte: Yeah. Because this will help all of us and other investors also to understand this position. So while there are tax losses, as per the books of account, as per the Companies Act, also there should have been losses in the balance sheet. But what we have done is couple of years back, we underwent a restructuring process approved by NCLT.
And in that, there has been a share capital reduction through which we have made sure that these losses have been removed from the books of accounts under the authorized process. The sole reason for that is, one, the balance sheet looks cleaner and leaner and more appropriate. And two, as you rightly said, now the company is in a position to declare either dividend or buyback. If we had

carried that Companies Act losses in the balance sheet, then you're right, we would have not been in a position to declare any dividend or do a buyback.
But that's not the situation of your company. We have very proactively, well in time, almost two years back, taken care of this issue on the Companies Act front, okay?

Ashish: Right. But then since we are having so much cash flows, then what is stopping us from going for dividend or a buyback?

Ashish Malushte: Nothing. In fact, you're right. Till last year, the situation was different because the entire film industry -- when I say film industry, exhibition industry was not really sure whether the audience is meaningfully back in the theaters. But you would agree with me that last 4 to 6 months are very clearly telling us that.

Ashish: Yeah. And next year, that is proceeds.

Ashish Malushte: So in terms of outlook, there is no uncertainty that we are seeing anywhere. Company is also making profit. In fact, there has been discussions that we have started at the board level. Maybe by Q3 or Q4, we'll be able to come back with a very clear indication, not about the dividend payout for a year, but a very clear policy, which we have been adopting from 2015 to 2020, and it was declared the same policy in terms of what is the policy of company for capital distribution. That will be coming out, but not now, maybe Q3 or Q4.

Ashish: Thank you, sir. Thanks a lot.

Moderator: Next question comes from Mr. Shailesh Naik from S CODE. Please go ahead.

Shailesh Naik: Yes. Good afternoon. There has been a significant improvement in, our performance at the revenue level, and even, improvement in receivables, as you promised last quarter. But my query this time is primarily on the operating direct cost, which has increased by 150-odd million. And it is not attributable to actually advertisement revenue share, which I thought could have been the reason.
So I wanted to know what is driving this cost higher and how can we reduce it, because the revenue growth at the top line is not contributing to the profit growth as the bottom line. So can you just clarify on this?

Ashish Malushte: Yeah. First of all, thank you very much for bringing this point up for discussion. Because just a cursory look at the numbers gives a not correct picture, and therefore, it needs a clarification. So let me help you with some data points.
So your observation is correct that while everything else is absolutely looking better QoQ, operating direct costs all of a sudden seems to have gone out of group and have increased beyond the revenue increase, and that should be your area of concern. But the reality is, I'll give you the numbers, sir, for your quick reference.
Operating direct costs have gone up by 28% YoY for this quarter, Q2 last year compared with Q2 this year. But of this, there are four key components. One is advertisement revenue share that has gone up only by 2%. There is a VPF revenue share that has gone up by 16%, which is more in line with the VPF revenue. So this area of increase should also not be a concern.
Other direct costs are -- have gone up by 5% from 89 million to 93 million That is also not a concern. The single largest mover is the cost of goods sold that has gone up from INR 19-32 crore, which is 66% increase in the cost if you look at it in isolation. So first, to give you a clarity that what has gone up in direct cost is only and only one line item, which is sale of the cost relating to sale of equipment. Now, while the costs have gone up, you would see that corresponding revenues have also gone up of sale of product.
In fact, sale of product revenues have gone up by 66% from INR 254 million, it has gone up to INR 422 million, and as a result of which, the net margin has gone up by 68%. So all I'm trying to tell you is that there are two parts to the whole discussion. One, why the operating costs have gone up disproportionately when looked at it in isolation. The simple answer to that is because the single

largest constituent of 66% increase is cost of goods. Second part is, is it a concern? Most certainly not.
That increase in cost has got correspondingly higher increase in the absolute revenue, which you can see, sale of product revenue. And ultimately, the net margin has gone up from this revenue stream, up by 68% on a YoY basis. So sir, this is the reason why you see a sort of a disparity in number. But in reality, it is absolutely a healthy picture for your company.

Shailesh Naik: So in that context, when we are making lower margin on services, if I exclude the sales of those both from the top line and the cost, so what is the actual picture? Can you just give me what is the actual revenue growth if you minus this segment? And also, if you just minus the segment from the cost, what is the profit growth? Can you give me that number?

Ashish Malushte: Yes. So there are, again, two parts to the way you should look at it. One is that sale of product certainly is there to stay and doing good, and it features low gross margin as compared to my service revenue. This is point number 1. And it is meaningfully lower, but still significantly meaningful.
It is in the range of anywhere between 18-24%, if you see historically last maybe 20 quarters of the company. So, it's a good margin. Whereas my service margin is anywhere upwards of 55% in advertisement revenue. And in VPF plus CDC, again, it is in the range of 60-65%. Now, the reason why we should not do what you are trying to do, what you are trying to do is you're trying to reduce the revenue of sale of product from the total revenue and the cost of relating to the sale of product from the total cost and then trying to look at the numbers.
The thing that happens is all the other costs, which are significant, manpower and SG&A, those costs will then get entirely loaded on the other revenue streams, which should not be the case. So more ideally, somebody can do an allocation of this cost and then they can arrive at what is the profitability. And it is straight in my numbers. There's nothing hidden there. Same ratio should be applied for SG&A and Manpower to arrive at whatever is the gross level profitability and net level profitability.
All the numbers are given. If you or anyone else needs the help, then me and my team are available. You can connect with us, and we'll help you to arrive at that net level profitability now.

Shailesh Naik: Fine. I'll take both your explanation. But here, then the problem is I understand the margins in product is lower and margins in service is higher. So if that is there, I can understand the margin of profit going down. But why at the absolute level when both the segments have done well?
Why at the absolute level also that profits have gone down then? So is there something else which is missing, some other cost which is there, which is not creeping? Because if, say, product is also done well, then this is all done well. Margin might go down at the same profit level.
But absolute level, it should not go down, right? So what is driving that absolute level?

Ashish Malushte: Your question is why the EBITDA margin has gone down?

Shailesh Naik: Yes. Really. You're saying margin has gone down? Basically, margin has gone down because of the product sales, you're saying, right?

Ashish Malushte: No, I'm trying to understand your question. You're saying that both the service revenue has done well, product revenue has done well, even at the net level.

Shailesh Naik: Then why at the PAT level, the profits have gone down?

Ashish Malushte: So that is what I'm saying. So before, we look at EBITDA level?

Shailesh Naik: EBITDA, I don't have number in front of me. You can just add to that.

Ashish Malushte: I can tell you that as well? So at that EBITDA level, if you actually see, there's a 2% reduction

Shailesh Naik: That should not have happened in that case?

Ashish Malushte: Correct. And that is where you should look at my manpower cost, which has one component of the incentive component. And that incentive component has gone up by about INR 1 crore this year. And this has contributed to a reduction in the overall margin. Now the question comes is, why should the incentive should go up? Two answers to that.
One, last year, this quarter, the allocation of the incentive was lower, and therefore, that absolute number of last year's Q2 or last year's H1 was lower. Comparatively, this year's Q2, where the policy was in place from beginning, the allocation has been done more realistically, and therefore, you have a higher value, absolute value of the incentive.
The difference is to the tune of 1 crore, and that exactly is going to hit at the net level. If I remove this element and try to look at my profitability before the variable, then on a EBITDA basis, it has gone up by 2%. Now again, the question would be if the revenues have gone up by 17%, why EBITDA is going up only by 2%?
And answer to that is there is a YoY increase in the absolute fixed salary and smaller level, although increase but a smaller level increase in my SG&A expenses, which is typical of all the companies. So that's the reason why we are seeing a lower EBITDA margin here.

Shailesh Naik: So when does the operating leverage fix in for you? I mean, if this is the case, then the -- at what level you can say

Ashish Malushte: So the current level of advertisement revenue and current level of service revenue is reasonably at a higher level than that threshold, post which the operating leverage would still start kicking in. Hypothetically, let's imagine that I had 10 more crores of ad revenues. Suppose Toxic had done well, which it didn't do well, and suppose Hanuman Ansh was Part 2, Dhurandhar 2, so that the advertisers would have been able to assess it well and done a better allocation of their budget. If that would have been the situation, assuming that 10 crores of more advertisement revenue. Let's take 6 crores of more advertisement revenue, okay? 6 crores of more additional advertisement revenue would fetch us at least 70% margin. This is at a PBT level margin.
So what I'm trying to tell you is that with that, my current PBT, what you see, would have gone up straight by 70% of six, so almost by 4 crores, it would have gone up. So the current reported 9.6 crores PBT would have gone up by 4.2 crores, so almost 45-50% increase in my PBT.
Now this is the level. So you're right, one needs to know what is the level at which the operating margin would start disproportionately kicking in, the benefit. So this is the current level at which it will actually start.
The reason why operating leverage was meaningfully kick in is because at this stage, you would see my manpower and SG&A costs impact on my increased revenue already factored in. Those costs are not going to go up. As I said, incentive is also rationalized in line with what the revenues are.

Shailesh Naik: There is no other opportunity for cost reduction, you're saying, in the entire team of team currently?

Ashish Malushte: Of course, there was a huge opportunity that was there 2.5 years back, and you can refer to our previous calls and also the numbers and see how the cost reduction both on manpower and the SG&A was brought in when we were exiting COVID period. And right now, I think this energy should be focused more on getting this operating leverage out instead of just focusing on cutting corners.
So that exercise was extensively done. Would love to spend time with you and show you exactly in numbers, not just explaining you verbally, but in numbers of how the reduction was achieved without really affecting the business, which is visible because even after those reductions, the revenues have gone up, profitability has gone up.

Shailesh Naik: Sure. That's great. Now my last question is, now you might have an idea as to how the Q3 because you sell advertising in advance. So with the large -- the good bunch of movies coming with the big names, do we have a kind of a projection as to what we can do in advertising revenue in Q3? The kind of a range, I mean, not new or figure. It's like a kind of a range which can we look at?

Siddharth Bhardwaj: So this is Siddharth Bharadwaj. I would like to address this question. You're absolutely right. The content lineup for the -- not only for Q3, but Q4 also looks very exciting. The interesting part is many of them are from a established IP, or which means either they are sequels or they are backed by a major star or a studio, right? Hence, there's a lot of excitement. We are seeing a lot of excitement on the advertiser side where they're willing to look at not film-by-film basis, but as a bunch of films together.

So we are confident that the next two quarters will be far more exciting for us as a company than the trailing quarters. And that was a concern also because last year, Q4, we had Dhurandhar. Q3, also, we had Dhurandhar. But this time, the lineup is fairly good.

In November, we have Ramayan, which is already seeing a lot of excitement. We have already done “Jailer 2” and “Drishyam 3” in October, “Godzilla”, “Yeh Prem Mol Liya”, “Eetha”, which is a good film, at the start of December, “Avengers: Doomsday” and “Jumanji: Open World”, which are releasing alongside “King”, would, give us a good runway, for delivering a fairly good quarter and H2 number for your company

Shailesh Naik: Can you look at anything above 400 million, 400 million per quarter in the next two quarters?

Siddharth Bhardwaj: So we would refrain from committing a revenue number because we have never done this in the past. But I'm sure from the lineup of the film, if you're tracking the performance of the company, you'll be confident and we are confident that this should be a better quarter than expected. Not only better quarter, but better H2. Sitting in October, we generally don't have an idea about what's going to happen in Q4. But this time, the lineup is fairly good across.

Shailesh Naik: And we won't have any surprises on the cost, right? We won't have surprises on the cost in the next two quarters?

Ashish Malushte: So most certainly, we have discussed all the cost element at length. There are not going to be any surprises when you see the revenues going up. Everything has been factored in, optimized, in place, budgeted. So you shouldn't see any of those so-called surprises, and those were never there in our company's balance sheets ever in the past surprises.

Shailesh Naik: Okay. thanks, sir.

Moderator: Thank you. There are no further questions. Now, I will hand over the floor to Mr. Rajesh Mishra for closing comments.

Rajesh Mishra: Thank you all for joining today's call. We sincerely appreciate your time, continued engagement, and support. Should we have any further queries or require any additional clarification, our team will be happy to assist you. We look forward to updating you on our progress next quarter.

Thank you and have a great day.

Moderator: Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation.

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