UFO Moviez India Limited
Q2&H1FY24 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the UFO Moviez India Limited Q2&H1FY24 earnings conference call hosted by Ventura Securities 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Tushar from Ventura Securities Ltd. Thank you and over to you, Sir.

Tushar Pendharkar: Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Ltd, I welcome you all to the Q2&H1FY24 earnings call of UFO Moviez India Limited. The company today is represented by Mr. Rajesh Mishra, Executive Director and Group CEO of the company, and Mr. Ashish Malushte, Chief Financial Officer 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, Tushar. Greetings everyone and thank you all for joining our Q2&H1FY24 earnings conference call.

Q2FY24 started on a muted note with no major Hindi releases in the first half of the July month. However, later part of the month of July saw release of 'Rocky and Rani ki Prem Kahani', followed by the blockbusters like Jawan, Gadar 2 and Jailer as well as hits like OMG 2, and Dream Girl 2 in the subsequent months.

During the quarter, films across the languages fared well. Especially, the performance of the Hindi movies stood out. Such widespread success of films in multiple languages underscores the enduring passion for the big screen. Cinema enthusiasts flocked to the theatres, leading to an increase in advertisers' confidence in in-cinema advertising, resulting in a substantial upswing in advertising revenue for the quarter. This is evident from 26% quarter-on-quarter growth in advertisement revenue and 120% growth on year-on-year basis.

On the government advertisement front, there is positive engagement from State Governments and Public Sector Units (PSUs) during the quarter. Overall, government advertising revenue grew by 47% from Q1FY24 and 167% from Q2FY23, despite a lack of spending from Central Government

I now turn to the key figures for the quarter and half year ended September 30, 2023.

Our consolidated revenue for the quarter stood at INR 871 million, compared to INR 853 million in Q1FY24 and INR 1,078 million in Q2FY23. EBITDA for Q2FY24 reached INR 177 million, marking a significant improvement compared to an EBITDA of INR 25 million in Q2FY23 and INR 163 million in Q1FY24. EBITDA Margin for Q2FY24 improved from 2.34% in Q2FY23 to 20.29% in Q2FY24. Profitability after tax continued its growth momentum this quarter, reaching 33 mn, compared to the loss of INR 92 mn in Q2FY23 and a profit of INR 25 mn in Q1FY24.

Regarding the half-yearly performance, the Consolidated Revenues amounted to INR 1,725 Mn, as compared to INR 1,984 Mn in H1FY23. EBITDA for the H1FY24 was at INR 340 Mn, a substantial increase compared to INR 123 million in H1FY23, a 177% increase YoY. EBITDA Margin in H1FY24 improved from 6.20% in H1FY23 to 19.71% in H1FY24. On the profitability after tax front, we are pleased to report that we have achieved profit after tax for the first time on half yearly basis since Q4FY20, with PAT reaching INR 58 Mn in H1FY24, compared to the loss of INR 117 Mn in H1FY23.

The consolidated cash at the end of quarter was INR 929 million and we have Net Cash of INR 244 mn after considering all outstanding debt.

Furthermore, during this quarter, we added 69 advertisement screens (on net basis) across the PRIME and POPULAR categories compared to Q1FY24. With this positive growth and an exciting lineup of upcoming releases, including 'Tiger 3' (starring Salman Khan) 'Animal' (starring Ranbir

Kapoor), 'Sam Bahadur' (starring Vicky Kaushal) 'Marry Christmas'(starring Katrina Kaif & Vijay Sethupathi) 'Dunki' (starring Shah Rukh Khan) 'Yodha' (starring Siddharth Malhotra) 'Captain Miller' (starring Dhanush) 'Salaar' (starring Prabhas) and 'Fighter' (starring Deepika Padukone, Hrithik Roshan) we are confident about sustaining the upward trajectory in the coming quarters.

Thank you for joining us today, and now I would like to open the floor to take your questions. My colleague, Mr. Ashish Malushte, CFO and I are looking forward to a productive and insightful discussion ahead.

Thank you.

Moderator: First question is from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: So, my first question is regarding a statement made by Mr. Gaikwad, it reads that, the company will soon reach pre-COVID level financials and will continue the upward trajectory. Now, if we look at the pre-COVID financials, the operating margins ranged between 27% to 30% and the revenue stood at approximately INR 600 crores. So, by when can we expect such numbers again? Additionally, does the statement in your opening remarks about the current trajectory continuing quarter-over-quarter apply to both the margins and the revenue?

Ashish Malushte: I'm unsure if you're referring to our virtual AGM or the actual Annual Report itself. Nevertheless, the statement made is correct. We aimed to convey to the investor community that the challenges posed by the COVID are behind us now. It's worth noting that our industry experienced a more extended recovery period after the COVID shock as compared to others. And finally, as we approached the Annual General Meeting, clear and positive signals for Q1 emerged, indicating that the things are falling in place for us. So it was during this time that we made the statement about returning to pre-COVID profitability in the near future.

When we discuss our pre-COVID profitability, it is driven by the advertisement performance. Despite numerous challenges, including the closure of 15% to 17% of our network theaters due to COVID, one segment of our advertising, namely corporate advertising, performed exceptionally well. We are almost back to pre-COVID levels in terms of inventory consumption in that segment. In terms of profitability, if you look at FY20, our PAT was around INR 39 crore. In the current quarter, if you include exceptional item, the PAT performance is close to INR 4.5 crores.

So, our profitability closely tracks the advertisement performance. And therefore, we have a clear visibility indicating a swift recovery towards pre-COVID levels. The primary challenge that remains, and one that lies largely outside our control, relates to the advertising spending patterns of the central government. Historically, the Central Government has been a significant contributor, as almost 50% of our revenue comes from government spend, with 80% of that coming from the central government. So, almost 40% to 42% of our total advertisement revenue came from central government, and advertisement contributes close to 65% to 70% of our PBT.

Currently, this segment has drastically reduced its advertising, almost by 90% to 95%. We are hopeful that the central government ministries will gradually resume advertising across platforms, including Digital Cinema, which will help bridge the remaining gap of INR 15 crores to INR 20 crores in profitability that you can observe. We are on track and as guided, Q2 is a strong indicator of our progress.

Rahil Shah: Okay. Is there any positive signs on spending from central government? And by when it is expected to gain full traction, back to those levels?

Rajesh Mishra: So, this is something which is really beyond our control, but we have been receiving inquiries and our teams are in touch with Central Bureau of Communications. We are hopeful of regaining some of the central government revenue. But I would just like to state at this point that we have started reaching out the states in a much more engaged manner, and we are seeing traction from state

advertising which helps to partly offset the lack of advertising from central government. So, if central government starts advertising, it will definitely be an upside for us. However, we are increasing our revenue earnings from state governments. Also, Caravan is gaining positive traction, and we are hopeful of getting some decent revenues from central government as well as from state governments.

Rahil Shah: Regarding the Qube JV— earlier, you mentioned its impact would begin in H2 of this year. Is it completed, and what kind of impact can we expect on revenue and metrics such as cost savings & profitability? Could you share some details?

Rajesh Mishra: Certainly. Regarding the Qube JV, the procedures are mostly in place, but we're encountering teething issues related to structural alignment and operational matters, such as registering the companies under a new entity with the DAVP. We aim to resolve these teething issues and will provide an updates as they become available. Currently, the JV is not operational, and there is no impact reflected in our performance on account of the JV.

Moderator: Thank you. Next question comes from Rishi Maheshwari from Aksa Capital. Please go ahead.

Rishi Maheshwari: Heartiest congratulations on getting back to profits. It's been long overdue. Now that the industry has opened up, could you provide some insights into certain line items like distributor revenue or exhibitor revenue? Some of these are still tracking negatively versus YoY. Can you give us a sense of the path to achieving year-round growth in those specific line items?

Rajesh Mishra: Distribution revenue is strictly a function of how the films perform. As mentioned in our earlier earnings call, we as a company follow a very conservative policy on distribution wherein we don't take any IPR risk, meaning we avoid investing in copyrights. Instead, work largely on commission basis, keeping a low risk profile. Our focus is on South language films as Hindi language films are usually high budgeted and expect advances & minimum guarantees, which we steer clear of. For instance, we distributed Jailer in this quarter, that generated some revenue, but it is still difficult to predict any profitability on this account. While we drive the numbers, it all largely depends upon how the films perform in the market.

Ashish Malushte: So, that was in reference to our new revenue stream as distributors. To address your question about the distribution service fee we generate, which is one revenue streams, and with the business picking up again, we are eagerly anticipating a return to our pre-COVID levels. So pre-COVID, we were in the range of INR 115 crores to INR 120 crores of revenue from providing services to distributors, which is documented in our Annual Report under CDC.

Last year, we maintained a similar run rate, around INR 88 crores and this year, we are tracking at a similar pace. However, when it comes to CDC, which involves providing services to distributors to release their films in theaters, one significant factor is the number and type of movies being released. While we can provide the service, the content's inflow is beyond our control. Fortunately, it's fallen in place for the most part, with the exception of some challenges in the Hindi market until Q1 of this year.

Q2 has been a positive turnaround, even for Hindi market. So, from Q2 onwards, the content pipeline is more or less the way it was before the pandemic. The only substantial change has been the reduction in the number of screens, which has decreased by nearly 18% for us, directly impacting our total revenue. We anticipate that in the current year, we will likely remain within the same range of CDC revenue as last year, on an annual basis. However, in the following year, given that the film industry is getting back on track across all genres, including Hindi, we should see some increase, potentially depending on how well Hindi films perform. To reach an annual run rate of INR 120 to INR 150 crore from current run rate of INR 90 to INR 95 crores, we would need to get the new theaters in.

Fortunately, this quarter, we are witnessing some traction on that front. So, to answer your question, the key factor impacting the return to pre-COVID revenue levels is the reduction in the number of screens, and we anticipate improvements as the industry progresses.

Rishi Maheshwari: Thank you for the elaborate answer. I'll circle back to advertisement revenue. I appreciate the comprehensive insight into the central government's spending curve, recognizing that it's not entirely within your control. However, the corporate is something which is a little baffling for me. At Present, from what we observe in the industry is there's a general slowdown. But you've returned after a considerable period of a sleuth of good movies and some of the good Hindi movies, which actually makes the difference in your advertisement.

And as you highlighted in your opening statements, the lineup is very good. So, within that confluence of a slowdown that may continue for quarter or two and the improving Hindi lineup, drawing people back to the cinema, how do you expect the corporate revenue to bunch back for the rest of this year and the next?

Rajesh Mishra: As mentioned earlier, looking at the lineup of the films, and the performance in Q2, it significantly boosts advertiser confidence. A consistent run of successful films captures advertisers' attention and keeps them engaged with the media. We believe that trend will help in driving our advertising revenue in Q3 and depending on the film lineup in Q4, we remain optimistic about our corporate advertising revenue.

Rishi Maheshwari: Can we expect about INR 120 crores to INR 130 crores of corporate revenue in FY25?

Ashish Malushte: To see the way the things have come back on track, that's the area of primary focus for us, particularly as Rajesh mentioned, Q2 has given a good indication. Despite Q2 being a challenging quarter, with corporate advertisement allocations already done for the World Cup, we've delivered handsome performance.

In fact, as compared to our peers in a listed environment, whereas they have done 17% growth half year versus last year, our corporate did 56% growth. While percentages depend on the base, we are hopeful that the mentioned number looks attainable, and all efforts are directed towards achieving it. Currently, if you split advertisement revenue into corporate and government segments, you'll notice a good trajectory reflected in the numbers.

Rishi Maheshwari: At last, regarding Q1, you mentioned the possibility of the JV becoming operational next year. So, at this point, Qube is independently managing the theaters it handled before, and you are doing the same for your network. As of now, there is no synergy between the two. Is that the correct interpretation?

Rajesh Mishra: Yes, that is correct. At present, we are operating at individual company levels. We are not leveraging any synergies right now, which was the case all along.

Moderator: The next question is Vaibhav Badjaaya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjaaya: In terms of revenues apart from advertising revenue, regarding the VPF revenue model, is it entirely driven by charges per show? If I recall correctly, as the number of shows for the same movie increases, does the VPF decline? I would like to confirm if that's how it is charged. Additionally, I would like to understand the revenue model of both VPF and CDC.

Rajesh Mishra: In terms of content delivery charge, it is a fee charged to the distributors for releasing films in theaters, operating on a per-show model. We charge a certain amount in the first week, a reduced amount in the second week, and from the third week onwards, there's no charge for Hindi films. Regional films will have a charge in the first four weeks, plateauing thereafter. Larger films also have the option for a complete open run license, which roughly translates around to INR 20,000 per film.

As for VPF revenue, it appears as a service provided to certain cinemas. For example, if they own the equipment, we collect the VPF on their behalf. We retain a certain service fee against that, with the majority remitted back to the cinema. VPF is purely a service fee, while the content delivery charge is retained in full.

Vaibhav Badjaaya: So, basically, VPF revenue is purely a function of number of screens. But CDC revenue is a function of number of screens as well as the number of shows.

Ashish Malushte: Yes, you're on the right track. I suggest we schedule a one-on-one call to delve into the details, similar to the way we've explained to other investors who were keen on gaining a more in-depth understanding. But, broadly speaking, VPF goes as per theater or screens, while CDC operates on a per-show basis. For a clearer breakdown, please refer to Slide 14 in our presentation, which distinctly outlines CDC and VPF service revenue. In CDC, we achieve nearly a 95% PBT margin, as there are no direct costs associated with incremental costs. On the other hand, our margins for VPF service fees range between 25% to 28%

Vaibhav Badjaaya: In terms of corporate revenue breakup, would like to understand the shift in types of corporate advertising with us as compared to pre-COVID levels. Also, how has this landscape changed, and what is the current industry breakdown for corporate revenue?

Ashish Malushte: Reflecting on our conversation, I realize that we should start providing the broad indication of the industry-wise distribution of advertisement spends, given the rising advertisement revenue. Going forward, we aim to offer a clear overview of the various industries utilizing our platform.

Before COVID, the television industry and various channels contributed significantly, and while some of this share might now be taken by OTT channels, the overall industry segments remain largely unchanged. It's not that certain industries have entirely stopped or started fresh; rather, there has been a drop in overall spending within these segments. Our efforts are focused on encouraging advertisers to increase their spending. It's positive that we haven't lost advertisers from specific industries altogether. Currently, I don't have the exact split of the segment-wise breakdown, but we will share it with you for both pre-COVID and this H1.

Vaibhav Badjaaya: Regarding the JV, you mentioned encountering teething issues in terms of structuring and operationalizing. Do perceive these issues as more structural, potentially posing a risk to the entire arrangement, or are they more restricted to technical and legal aspects?

Ashish Malushte: So, there are no legal issues. As Rajesh mentioned, it is more to do with operationalizing the JV once it starts. Given the substantial shift for both the organizations, there is a dedicated effort to ensure a smooth integration. But at this stage, the mutual objective is to prevent any operational challenges when consolidating into a unified unit for advertising operations.

Fortunately, there are no legal issues, because legal issues can raise significant concerns. Operationalization issues are a good issues as it prompts both parties to carefully navigate and find optimal solutions for a smoother operational launch. Although it has taken some time, ongoing efforts are aimed at reaching a resolution. As Rajesh mentioned, once there are updates, we are committed to promptly informing investors.

Moderator: Next question comes from Bharat Mani from Moneybee Investment Private Limited. Please go ahead.

Bharat Mani: With the start of the World Cup in Q3, do you see the advertising demand being subdued? How do you see it shaping up?

Ashish Malushte: Fortunately, post-COVID, good movies are bringing the advertisers back, especially two successful big movies last quarter. Q2 faced World Cup issues due to allocation problems, but Q3 looks good as it's a festive season and advertisers are likely to spend more.

While we don't see the World Cup as a challenge in Q3, the key is the content line up. Fortunately, we have a good lineup. If these movies perform well, it will keep advertisers interested in this medium, benefiting all players, including us, PVR, Inox, and Qube.

Moderator: Next question is from Jheel Thakkar from Nirzar Securities.

Jeel Thakkar: What is our EBITDA margin from advertisement, distribution and exhibitors?

Ashish Malushte: The EBITDA Margin is essentially a mix of three components. Let me simplify it for better understanding, particularly for investors keen on gauging the business progresses from hereon. Our core offering is Digital Cinema Services, rental revenue, and advertisement revenue. This forms the crux of our services. To provide this core offering, we incur all the necessary costs.

Without advertisement, we generate minimal profitability. The interesting part is that, unlike other mediums where the entire business is dependent on advertisement (like Radio), we are diversified. Back in 2005, UFO strategically promoted the idea of not relying solely on advertisements. In our case, the profitability from Digital Cinema services (revenue from distributors and exhibitors) is relatively small but crucial for overall revenue. The real game-changer is the advertisement segment. Approximately 65% to 70% of incremental ad revenue directly contributes to our EBITDA/PBT.

Now, this is the way one should see from here on how the progressions would happen. For this quarter, if my EBITDA margin is around 19.1%, and almost 19.7% for H1, and considering Q1 was at 19% and Q2 at 20.3%, there won't be significant changes in my costs. If the theatrical revenue, as discussed earlier in the CDC conversation, remains stable, the key factor moving the needle is the advertisement revenue. Each incremental rupee earned in this segment contributes at least INR 0.60 to INR 0.70. This is how our overall EBITDA will start moving up from its current level, showcasing the beauty of our business model.

Jeel Thakkar: Also, our revenue has gone down, but the EBITDA is up. Would like to know the reason for the same and whether the current EBITDA margin is sustainable?

Ashish Malushte: I'm glad you asked this question. Before I answer that, please note that in addition to the three offerings you mentioned, we have one more core offering: Sale of Equipment. Wherein, we sell projectors and servers to theaters along with consumable such as lamps. While consumable sales are more predictable, the sale of equipment, primarily in the international market (specifically in the UAE, where we have a strong presence), have decreased both QoQ and YoY. The major impact on gross top line comes from equipment sale in Middle East, which only translates to 18% of margin. Therefore, you might see a top line going down, but the margins have decreased proportionally.

Another significant reduction is evident in our distributor business, initiated just four to five quarters ago. In this business model, we distribute films, particularly smaller ones, to various theaters across the country without taking any P&L risk. Now on the accounting front, the dynamics underwent a shift post GST implementation, necessitating some adjustments. Previously, whatever was sold to theaters was considered income, while whatever was bought used to account as expenses. In the past, we had the option of net accounting. Until last year, we were required to report it on both gross and net levels. Following contextual changes, we made adjustments, enabling us to present this figure as a net number. Consequently, this shift has led to a notable impact of almost INR 10 crores, considering that last year's top line was INR 10 crores, with expenses amounting to almost INR 9 crores and decreased revenue and expense in this quarter. However, this reduction in the distribution top line doesn't significantly impact profitability, as the margin in the distribution business is merely 2% to 3%. So, these were the two significant reductions in both Q2 versus Q1 and on a YoY basis.

Moderator: Next question comes from Vipul kumar Shah from Sumangal Investment. Please go ahead.

Vipul Kumar Shah: The distribution revenue has gone down because number of screens have reduced, right?

Ashish Malushte: The decline in CDC revenue is primarily due to two factors: reduction in screen count by almost 18% as compared to pre-COVID and a gradual recovery in Hindi film market. The discussions on theatrical viewing in cities like Mumbai have only gained traction recently. Before this, there was significant speculation about the future of theaters, with talks of a potential shift to OTT platforms. However, the anticipated resurgence in theatrical viewing materialized faster than expected. These are the two reasons behind the observed decline in revenue.

Rajesh Mishra: Also, we had certain big films releasing in the quarter, which have a longer run. As discussed earlier, the per-show model generates revenue only in the initial two weeks. Even in the flat fee model, if a film runs for two or three or four weeks, no additional revenue is generated. Another contributing factor is the legacy impact of Hollywood films being released. In this quarter, we had a couple of big Hollywood films like, Oppenheimer and Barbie, contributed to no weekly revenue, adding to the overall impact. So, the combined effect of these factors has led to a decline in CDC revenue.

Vipul Kumar Shah: This digitization income declined from INR 108 million in H1FY23 to INR 82 million. If I compare it on per screen basis to pre-COVID, is it the same or is there a difference?

Ashish Malushte: If your question pertains to digitization income, it is important to note that it is not related with the number of shows or theaters a movie plays in. This revenue purely generate by processing the content on E-cinema and D-cinema networks. So, this is more like per movie revenue. To elaborate, the reduction in this digitization income is attributed to the loss of a client, around Q2 or mid Q3 of last year. Consequently, the revenue from that specific client was discontinued, leading to a decline in digitization income. It's worth noting that this digitization income, albeit relatively smaller- ranges around INR 10-odd crores and is separate from my CDC income, which I explained in the previous question.

Vipul Kumar Shah: Concerning the JV with Qube, if I recall correctly, there was a proposed JV with Qube before COVID, which got canceled, possibly due to a crash in our stock prices. Is this the same Qube?

Ashish Malushte: It is the same Qube; however, to clarify, in FY17, it was not a JV but rather a merger effort. Unfortunately, the merger didn't go through due to a negative order from NCLT which was incomprehensible. We appealed to NCLAT and secured a positive order. Despite winning at the NCLAT level, a five-month gap in the process changed the overall perception. A major financial investor, ICICI, had to withdraw from the deal after the NCLAT order and we couldn't complete the transaction. It is important to highlight that the fall in share price was not the reason the merger did not go through. In fact, the share price fell because the merger materialize. Nevertheless, Qube remains the same party—a robust technology player in the south with a very strong network.

Moderator: Next question comes from Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Just one question, on the promoter pledge. Is there an expected timeframe for the release of the pledge, or any specific timeline we can anticipate?

Ashish Malushte: Glad you asked this question. In recent times, it's not uncommon to see startup promoters ending up with a relatively small stake in their companies. UFO, in a way, was an early startup launched in 2005 by first-generation entrepreneurs Mr. Gaikwad and his partner Mr. Hete. As the company required substantial investments, the founders went through a series of dilutions. Importantly, they also invested when the company needed capital.

As the company evolved, there was a need for a corporate support. Apollo Tyre group, through their offshoot Apollo International, invested in UFO. When we went public, we had a set of

promoters, including Mr. Gaikwad and Mr. Hete, who were the founders, and Apollo, who had joined in the early stages, categorized as promoters. The current pledge you see relates to Apollo's holdings.

And none of the holdings of, Mr. Gaikwad and Mr. Hete, representing the valuable group, is under any pledge. Although it looks like promoter has pledged their shares, it is important to be fair and recognize that Apollo International got categorized as a promoter at the time of IPO due to regulatory requirements. Otherwise, it was more of an investment for them. Therefore, they might have pledged these shares for other businesses.

As of now, UFO management has no information regarding the specifics of that pledge or when it is likely to be released. However, the founder promoter group's entire stake remains intact, with nothing pledged. I hope this clarifies the situation.

Darshil Pandya: Any plans to increase the promoter holdings?

Ashish Malushte: Instead of distributing dividend, at the time when COVID hit us. There was an opportunity for a buyback that could have potentially increased the promoter stake. However, the founder promoters, coming from a humble background and being first generation entrepreneur, have invested significantly in UFO. As UFO faced challenging times during the prolonged 30-month period of COVID, they, too, encountered difficulties.

Despite the company's current attractiveness, a similar situation persisted last year, posing difficulties for such an increase. I want to emphasize that in 2009, when the company needed funds, the founder promoters infused INR 90 crores from the proceeds of their other business sales. However, at present, I don't foresee the possibility of the founder promoters increasing their stake due to the aforementioned constraints. Importantly, there is no lean on their shares and they have consistently demonstrated commitment in the past.

Moderator: Next in line is Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: With the upcoming elections next year, can we anticipate an increase in revenue spends by the central government? Furthermore, could this potentially propel us towards achieving a revenue run rate of INR 200 crore in the advertisement segment?

Rajesh Mishra: INR 200 crore would be a dream come true. This figure encompasses the overall sum, combining corporate, government, and all segments. While we anticipate an uptick in advertising spending from both state and central governments, including political parties, due to the upcoming elections, it's important to note that the expected increase may not be in the range you are suggesting.

Ashish Malushte: It may reach there, especially considering the dynamics of an election year and also if the central government decides to start using this medium, it won't just benefit cinema advertisers like us, but even other mediums like radio or print would also see positive effects. Historically, the central government had allocated a budget of INR 1,400 crores, with a substantial portion directed to our network, exceeding INR 100 crores in previous instances.

Currently, our focus is on minimizing the risk associated with the potential absence of the central government in our advertising landscape. To address your initial question, if the central government allocates INR 70 crores, INR 80 crores, or even INR 90 crores to our network, as they did before with a run rate of over INR 100 crores, then reaching the INR 200 crore mark becomes a realistic prospect. At present, our corporate run rate stands at INR 80 crores annually, slightly below the pre-COVID level of INR 95 crores.

Aditya Sen: Are we looking forward to maintain the same margin of around 19% going forward for FY24 and FY25 also?

Ashish Malushte: Yes. And with advertisement revenue increasing, this should start slightly moving up.

Aditya Sen: Slightly moving upwards to any ballpark number, may be 20-21%?

Ashish Malushte: There's no point giving ballpark number, because for that we need to ballpark number of the revenue. I would say, every incremental rupee gives me 65% margin. So, if anybody can do the math.

Moderator: We have a follow-up question from Vaibhav Badjaaya from Honesty and Integrity Investments. Please go ahead.

Vaibhav Badjaaya: Is maintaining the same advertising rates per minute a challenge given the decrease in the number of screens compared to pre-COVID, which would result in fewer eyeballs and potentially impact revenue?

Rajesh Mishra: It would not be a headwind because even if the number of screens has gone down, the product mix of the screens has improved. The closure of more vulnerable single screens has been offset by the addition of high-quality premium screens over the last couple of years. Both brown-field and green-field additions contribute to an enhanced product mix. Consequently, there's no reason for rates to decrease due to a reduction in screens. Furthermore, with improving film quality and increasing advertiser confidence in the medium, we've observed an uptick in the spot rates we charge. We hope to return to pre-COVID levels and may even go beyond that also.

Moderator: Thank you. That would be the last question for the day. Now, I hand over the floor to Mr. Tushar for closing comments.

Tushar Pendharkar: Thank you. On behalf of Ventura Securities Limited, we would like to thank the management of UFO Moviez and the participants. Good 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.