UFO Moviez India Limited
Q3&9MFY24 Earnings Conference Call

February 02, 2024

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Moderator: Ladies and gentlemen, good day, and welcome to the UFO Moviez India Limited Q3&9MFY24 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 Q3&9MFY24 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 Q3&9MFY24 earnings conference call.

"The third quarter of FY24 marked a notable turnaround for our business, defying the initial challenges posed by the Cricket World Cup in the early part of the quarter. The business this quarter witnessed an upward momentum with the release of 502 movies (including versions/languages), an increase from 484 in Q2FY24.

Despite a subdued start with movies like Mission Raniganj (starring "Akshay Kumar"), Thank you for Coming (starring "Bhumi Pednekar"), Bhagavanth Kesari (starring "Nandamuri"), Yaariyan 2 (starring "Divya Khosla Kumar"), Ganpath (starring "Tiger Shroff"),and Tejas (starring "Kangana Ranaut"), the momentum picked up significantly in the latter part of the quarter. Notable successes during the initial months included 12th Fail, Leo, and Tiger 3, featuring Vikrant Massey, Vijay & Trisha, and Salman Khan, respectively. However, the real game-changer came in December, witnessing a surge in successful releases like Animal, Sam Bahadur, Hi Nanna, Dunki, and Salaar.

This positive trend translated into our Advertisement Revenue, recording an 83% YoY growth in in-cinema advertising—from Rs. 186 million in Q3FY23 to an impressive Rs. 341 million in Q3FY24. Caravan's Advertisement Revenue also followed this positive trajectory, driven by impactful campaigns for the Ministry of Urban Development and clocked in the revenue of Rs. 41mn in this quarter.

As a result, Q3FY24 emerges as the standout quarter in the current financial year, with EBITDA at Rs. 184 million—a 4% QoQ and an impressive 83% YoY increase.

Looking at some key figures for the quarter and nine months ended December 31, 2023.

Our consolidated revenue for the quarter stood at ₹1,184 million, compared to ₹871 million in Q2FY24 and ₹1,109 million in Q3FY23. EBITDA Margin for Q3FY24 improved from 9.10% in Q3FY23 to 15.58% in Q3FY24. Profitability after tax continued its growth momentum this quarter, reaching 46 mn, compared to the loss of Rs. 3 mn in Q3FY23 and a profit of Rs. 33 mn in Q2FY24.

Regarding the nine-month performance, the Consolidated Revenues amounted to ₹2,909 Mn, as compared to ₹3,093 Mn in 9MFY23. EBITDA for the 9MFY24 was at ₹524 Mn, a substantial increase compared to ₹224 million in 9MFY23, a 134% increase YoY. EBITDA Margin in 9MFY24 improved from 7.20% in 9MFY23 to 18.00% in 9MFY24. On the profitability after tax front, PAT for 9MFY24 improved to Rs. 103 Mn against the loss of Rs. 120 Mn in 9MFY23.

The consolidated gross cash at the end of quarter was Rs. 882 million with Net Cash standing at Rs. 230 mn after considering all outstanding debt.

In terms of our Advertisement Screen Network, it expanded to 3,407 screens as of December 31, 2023, compared to 3,303 screens as of September 30, 2023. This quarter witnessed a net increase of 104 advertisement screens, with a notable boost in both Prime Screens (+72) and Popular Screens (+32). Also, post Q3FY24, on January 23, 2024, we announced a tie up with TSR Films, securing exclusive advertising screen rights across TSR's extensive network of over 403 screens. This collaboration has strengthen our presence in Gujarat and southern market especially in Tamil Nadu and Kerala, expanding our network to 3,808 screens nationwide.

This reflects the growing confidence in the theatrical viewing experience. Looking forward, Q4FY24 started on a decent note with movies like HanuMan and Fighter. However the upcoming movies pipeline have a subdued yet decent line up including 'Teri Baaton Main Aisa Uljha Jiya' (starring Shahid Kapoor and Kriti Sanon,) Mere Mehboob Mere Sanam starring "(Vicky kaushal), 'Lal Salaam' (starring Rajinikanth), 'Article 370' (starring Yami Gautam); 'Yodha' (starring Siddharth Malhotra), 'Laapataa Ladies' (produced by Aamir Khan), 'Shaitaan' (starring Ajay Devgn and Madhavan)and 'The Crew' (starring Kareena Kapoor and Diljit Dosanjh).

Looking forward, we remain optimistic to continue this positive momentum with the decent lineup.

Thank you. Over to you Tushar.

Moderator: First question is from Aditya Karanth. Please go ahead.

Aditya Karanth: I think it was a good quarter. However, I do have a couple of inquiries. Firstly, despite a significant increase in ad revenues, the ad-sharing percentage has remained relatively consistent compared to the previous quarter. Given the operating leverage in the minimum guarantee, why hasn't this translated into a lower ad-sharing percentage, perhaps around 35% or 37%? Secondly, could you explain the reasons behind the lower margins this quarter compared to the last, and what are the expectations for long-term margins?

Ashish Malushte: Comparing it to the previous year, the ad sharing percentage has indeed declined. However, on a quarter-over-quarter basis, it has remained relatively stable. In Q1, it was 48%, dropping to around 41% in Q2, and maintaining at the same level in Q3. This stability in Q3 is mainly due to the resurgence of cinema and large-screen experiences, which prompted more theaters to reopen and better screens to become available. When I refer to better screens, I mean screens near the multiplex category or in the multiplex category, where minimum guarantee commitments continue to be slightly higher than average. When these screens are added to our network, as evidenced by the addition of 100 screens in this quarter alone, my liability and obligation towards minimum guarantee start from day one. Although it may take some time for our sales team to generate revenue from them.

So, while there may be a lag in revenue realization, these new screens eventually contribute to our overall cinema network sales. But as you rightly pointed out, as revenues increase, the sharing percentage typically decreases. However, there's an important caveat to consider. We've recently announced a tie up for advertisement sales of premium and key category screes of TSR, a major industry player. And in the upcoming quarters, we anticipate facing a similar scenario where our obligations will commence immediately. However, it will take time for us to scale up revenue generation. Structurally, we expect our sharing percentage to align closely with pre-COVID levels, if not slightly higher, aiming for around 35-38%.

Aditya Karanth: Thanks for the explanation. Regarding the second question, could you elaborate on the lower margin this quarter compared to the previous one? Is this a result of seasonality, and what are the projections for long-term margins?

Ashish Malushte: It's a valid point that the margins remain at a similar level compared to the previous quarter, albeit slightly lower. The rationale behind this is straightforward. We announced during the beginningof-year earnings call with shareholders that we transitioned a portion of fixed salaries to variable ones, with 20% of the fixed salary now variable. This decision was made due to uncertainties surrounding not only the company's performance but also cinema viewing patterns, unsure if they would rebound in proportion to other industries.

Fortunately, there has been a positive turnaround, and we've witnessed a return to pre-COVID levels in cinema viewing habits. Therefore, all the cinema service providers or exhibitors are slowly reaping the benefit. The only change made recently is the provision set aside in this quarter, totaling INR 5.7 crores, for variable pay and sales team incentives. If you were to include this amount back into the EBITDA, you would likely observe growth reflected in the percentage sharing.

Essentially, this INR 5.7 crores isn't solely attributed to the current quarter; the impact has been felt in this quarter, but it also includes a provision we've set aside, anticipating the positive trend to continue into Q4 and beyond. Because we don't want our employees to in a way suffer beyond the point when good days are returning. Therefore, please regard the INR 5.7 crores as either a one-time expense or an expense partly incurred in previous quarters. Upon reevaluation, you'll likely see an improvement in the margin.

Moderator: Thank you. Next question comes from Ritesh Oswal. Please go ahead.

Ritesh Oswal: Congratulations for good numbers. I think we have around INR 100 crore + in cash and cash equivalents on a consolidated basis, with expectations of reaching a net cash position of INR 60 crore to INR 70 crore over the next 12 months. So, any thoughts on reducing the balance sheet or any updates to share?

Ashish Malushte: So, if you actually see our debts have been gradually decreasing. In December 2022, our gross debt was INR 83 crores, which decreased to INR 65 crores by December 2023. We've been mindful of this. Thankfully, we managed to maintain both cash reserves and debt during the challenging period of COVID-19.This really helped us as our revenues were zero for almost six quarters.

Now, with profitability returning over the last three quarters and a sense of normalcy gradually returning to the cinema industry, we have actively taken steps to further reduce our gross debt. This reduction entails not only paying off existing debt but also refraining from accumulating additional debt. While our business typically incurs debt for annual Capex, we have been cautious with our Capex spending this year, utilizing cash reserves where possible.

While my initial remarks may have focused on net debt, it's important to note that our gross debt has decreased by INR 18 crores. Although we maintain a healthy cash reserve, we do not intend to completely pay off our debt at this stage. Instead, we aim to maintain a modest buffer, as we have historically done. Our approach to managing cash has been prudent since our IPO, prioritizing returning excess cash to investors if there was no meaningful opportunity to deploy the cash in the form of acquisition or in the business.

Moving forward, we will continue this trend of consciously reducing gross debt, with the expectation that cash reserves will increase as the business continues to generate profits.

Ritesh Oswal: Could you provide insights on next year Capex amount?

Ashish Malushte: We anticipate returning to pre-COVID levels, which is a healthy development. This year, we consciously reduced our Capex in response to market demand. For the upcoming year, we expect to approach Capex levels similar to those before the pandemic, ranging between INR 40 crores to INR 50 crores. We will have better clarity closer to our next full-year earnings call, but you can expect us to reach approximately 80% of pre-COVID levels.

Moderator: The next question is from Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: Thank you for the opportunity. Could you please provide any updates on government ad spending?

Rajesh Mishra: On the Central Government front, there has been a slight increase in ad spending, although not as substantial as one might hope for. While the Central Government has initiated some advertising activities, the overall spending remains relatively low. We are actively pursuing opportunities with State Governments to compensate for the shortfall caused by reduced spending at the central level across various mediums. This reduction is not limited to cinemas but extends across print, television, and other platforms. However, it's encouraging to note that there has been some increase in activity on this front in the current year.

Ashish Malushte: Despite the absence of significant spending from the Central Government, the company has delivered a healthy performance this quarter, building on the good Q2. If there's a shift and Central Government Ministries resume advertising in cinemas, it would greatly benefit the company.

Regarding State Government spending, the data indicates positive growth. Last quarter, we recorded INR 7.2 crores, which has increased to INR 8.8 crores this quarter, marking a 21% growth. Year-over-year, this quarter's INR 8.8 crores compares to INR 4.4 crores in Q3 of the previous year, almost doubling our revenue. So there is some healthy traction.

However, it is important to note that when elections are announced, State Government Ministries are required to stop their campaigns, leading to some reduction in this segment's spending. Nevertheless, PSUs are expected to continue their advertising activities.

Aditya Sen: Thank you for this information. Especially regarding the anticipated reduction in expenses for the upcoming quarter. So, given our reliance on the Central Government, I don't think we'll be able to cross the pre-COVID highs of INR 200 crores revenue from this advertisement. Am I right on this?

Ashish Malushte: If we're looking at the next one year as our timeframe, then yes, I believe we won't exceed it. However, the inherent strength of our medium lies in the increasing return of cinema-goers. Now as this trend continues, it essentially boils down to the simple math of minutes sold and spot rates. To quadruple our revenue, we'd need to double both parameters. Presently, we're selling about five minutes, but some of the top multiplexes are managing upwards of 20 to 25 minutes.

Obviously, I'm talking about 2x growth because my network is really large and it's a combination of different category screens. And the spot rate eventually plays out. As demand rises and supply remains limited, spot rates naturally increase. This dynamic serves as our primary driver. The essence lies in our network's ability to generate higher advertisement revenue, on the same investment done. This has been the draw all the time, but not in one year.

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

Rishi Maheshwari: With regards to the tie up with TSR. Could you provide insight into how the contract negotiations transpired and what terms were agreed upon? Considering TSR's position as a digital ad screening chain, would like to understand our association with them and the commercial arrangements in place.

Rajesh Mishra: Our association with TSR involves securing advertising selling rights for their screens, with the primary aim of expanding our presence in the southern markets, particularly in Tamil Nadu and Kerala, where TSR has a significant presence. Specifically, we've added approximately 180 screens in Tamil Nadu, 54 in Kerala, and 36 in Karnataka, thereby increasing our footprint in the southern region. This expansion enables us to capture Pan-India campaigns, including those originating from northern regions.

In terms of the arrangement, we've acquired exclusive advertising rights. While I'm unable to get into the specific commercial terms due to their confidential nature, the agreement involves a predetermined amount, which we adhere to accordingly. Notably, we have full control over marketing and selling the entire inventory of these screens. These are the fundamental aspects I can share at this stage.

Ashish Malushte: So, Rishi, to further elaborate on Rajesh's point, it was critical for us to enhance our presence in the southern market, and we've successfully achieved the same through this tie-up. From a financial standpoint, this deal represents an asset-light model, as we won't be burdened with upfront capital expenditures, unlike our investments in other screens. And in return, we gain advertising rights to this extensive network, which we can market alongside our own. This in turn is going to get medium to long-term benefits.

Regarding the revenue sharing, whether it's with TSR or individual screens, our liability begins from day one. However, it typically takes two to three months to fully integrate these screens or networks into our operations. During this transitional period, there may be a temporary revenue shortfall compared to our commitments. Nonetheless, it's important to reiterate that this is indeed an asset-light model. We'll be paying a fixed fee, typically in the form of a minimum guarantee (MG), to acquire these networks. Beyond that, any revenue generated contributes directly to our profitability, without the need for additional capital expenditure on our part.

Rishi Maheshwari: This is helpful. So, how many of these 400-odd screens will you place in the premium screens?

Rajesh Mishra: There are numerous screens in this network, predominantly comprising DCI technology installed on high-end equipment. Approximately 75% of these screens fall into the premium category.

Rishi Maheshwari: My Next question is to inquire about our future involvement with Qube. Are there any upcoming collaborations planned, or have we concluded our partnership with them?

Rajesh Malushte: I never say never to anything. But right now we have just come out of a potential association. So right now, there are no plans or opportunities on the horizon. If something arises in the future, we're always open to exploring it. But for now, there's nothing in the pipeline.

Rishi Maheshwari: What could be the cost associated in terms of the merger or the JV that was planned? Was there any cost that was built in 9M FY24 P&L?

Ashish Malushte: Okay. Just to understand your question better, you mean, was there any cost incurred or estimated for completing and operationalizing this JV. Is that the question?

Rishi Maheshwari: That is right

Ashish Malushte: So, apart from the nominal legal fees and consultancy, there were no other significant costs incurred. Most of these costs were incurred in Q2, partly in Q3. And all of that was in relation to the legal fees and the advisory fees for putting the JV structure together and related activities, not really significant. Beyond that, there was no cost.

Rajesh Mishra: There's no breakaway fee or any other associated costs. It was a mutually agreed dissociation, so there are no additional expenses incurred in this regard.

Moderator: Next question comes from Shivam Shah from Smart Sync. Please go ahead.

Shivam Shah: I have a couple of questions. Firstly, are we seeing any potential disruptions from other technologies like cloud or internet? And secondly, from the Hollywood side, they have some sort of JV where studios have come together and developed their own standards. Do we see any potential threats from that side, similar to what's happening here in India?

Rajesh Mishra: Not really. As far as the films releasing in cinemas are concerned, Hollywood films are already under VPF sunset. So, there's very little impact on the VPF front for us. Advertising continues to run based on our agreements with cinemas. Hollywood doesn't have a significant role in that perspective. Therefore, the consolidation at the studio level doesn't really affect our business at this stage.

Ashish Malushte: Hi Shivam. Your point about technology disruption is very critical. Given that we operate in the B2B space, it might appear that we haven't evolved with newer technologies and are still offering the same service as we were 18 years ago. However, this assumption is incorrect.

If you visit a theater, you'll notice significant technological advancements. For example, the server, which used to be more in the form of a PC, is now a handheld device.

What I'm saying is, in the B2C world, it's easy to see upgrades like Samsung's S8, S9, S15, S20, and S24. But in B2B, it's not as clear. Without spending time with us, it's hard to explain. This forum is where I can talk about it, so investors can understand if we're keeping up with technology. We've upgraded our servers and projectors, which has contributed to our success over the last decade and a half.

Shivam Shah: Thank you. Just one last question, how are we seeing the business as far as the Caravan Talkies is concerned? Can you please throw some light on that?

Rajesh Mishra: So, Caravan Talkies did decent business in Q3, and we've also seen some business in Q4, particularly in January. Currently, the Government is actively working on that, and we've also secured some corporate clients. We hope to see business growth going forward. With upcoming elections, State Governments are likely to show interest in this service, so we're optimistic about its prospects. It's worth noting that Caravan Talkies was inactive for almost two to three years and there was no empanelment. However, we've now obtained empanelment, and business has started flowing in. Both the Center and State governments have recognized the benefits and impact of these events. So, we remain hopeful on this front.

Moderator: Next in line is Krunal Shah from Enam Investment. Please go ahead.

Krunal Shah: So, regarding this TSR deal we signed. TSR, I understand, is a network similar to ours. Wouldn't it already have some advertising contracts in place and be generating advertising revenue?

Rajesh Mishra: Yes, you're correct. They are digital integrators like UFO Moviez. They started in the south and have a significant presence there. However, they do have certain screens and advertising already booked. The understanding is that these deals will migrate to us, although not a substantial amount, as we begin paying them out from X date onwards and anything pre-booked will come to us.

Krunal Shah: Okay. So, if I were to compare on a per screen basis, say our revenue YTD is INR 2.5 lakh advertising revenue per screen. Where would they stand in terms of percentage terms compared to ours?

Rajesh Mishra: In terms of actual revenue generated up till now, they might not be matching our levels, considering our larger ad sale network and screen network. However, the potential for growth is higher, which is why we've associated with them. As Ashish mentioned earlier, this is an asset-light model for us. We aren't investing anything; TSR has already made the necessary equipment investments and handles maintenance. We simply participate in the advertising rights. That's the essence of it. I wouldn't use their past track record as a benchmark for this.

Krunal Shah: To clarify on the employee cost provision of INR 5.7 crore made during the quarter. That would be for the last three quarters combined, correct?

Ashish Malushte: Some of it is allocated for the next quarter as well.

Krunal Shah: So, essentially, the entire FY24 year is taken into account?

Ashish Malushte: Not entirely. A portion is allocated for the next year, particularly regarding variable costs. Regarding advertisement sales incentives, it pertains to Q3.

Krunal Shah: Got it. Also, you see good traction in corporate advertisement revenue, could you help me understand which sectors are utilizing our platform the most right now?

Ashish Malushte: Okay, previously, we used to provide these details, which were found to be useful by investors to gauge spending trends. Unfortunately, I don't have that information readily available at the moment, but I will include it in our opening remarks from Q4 onwards for everyone's reference.

However, I can tell you that the satellite television channel segment, which was one of the major spender pre-COVID, has decreased. OTT platforms have partially substituted for traditional television advertising. That is very interesting because, despite being perceived as competitors, OTT platforms are also utilizing our advertising space, recognizing the mutual exclusivity of our mediums for entertainment consumption.

Unfortunately, I don't have immediate access to data on other segments. I will retrieve and provide this information. But my hunch is that most sectors have resumed advertising activities, with the exception of real estate. Regional and local real estate campaigns, in particular, have been slower to return. Let me gather this information and circle back to you. Currently, I only have data on television channel spending.

Krunal Shah: Okay. As we hear in the industry that the rural demand is very soft. So, how have you seen your ticket sales in your network for the movies in the last six months?

Ashish Malushte: We typically don't directly track distributor or exhibitor revenues, except for one segment, which is the impact. Exhibitor ticketing data isn't factored in due to industry practices. It's important to note that rural demand fluctuations don't significantly affect us because the Indian cinema landscape is primarily urban-centric.

The vast majority of our screens, approximately 90%-plus, are not in rural areas. Therefore, any softening we observe in cinema attendance is likely not solely driven by rural demand. In fact, even if you say key multiplexes which obviously cater to a different segment, ours will be more or less the same geography, but not really rural, where which is absolutely dependent on agriculture.

Krunal Shah: My inquiry is more about Tier 2 and Tier 3 cities. I'm trying to understand if there's a correlation between ticket sales and our advertisement revenue in these areas.

Ashish Malushte: Yes, there is a correlation, and we haven't seen a decline in that aspect. Essentially, if there's a compelling movie, people tend to buy tickets, unless negative word-of-mouth affects its popularity. Conversely, during periods of weaker movie releases, such as October, November, and currently January to mid-February, ticket sales may dip due to lack of engaging content. However, this doesn't necessarily reflect a softened demand but rather the influence of content quality, including both regional and Hindi films.

Rajesh Mishra: Although footfall is linked to the success of films, an encouraging trend is the emergence of quality cinemas, including multiplexes, in Tier 1, Tier 2, and even Tier 3 towns. And even at times Tier 4 levels, the smaller multiplexes are opening up. This indicates a growing demand for cinema viewing in these areas, evidenced by the opening of new screens even in locations where cinemas were previously closed.

Ashish Malushte: The primary advantage for everyone in the cinema industry is the relatively limited but substantial audience base. Given that cinema has a relatively finite number of unique viewers, estimates typically don't exceed 8 to 9 crores. Considering India's population of 140 crores, theoretically, at least 30 to 40 crores of individuals could afford to attend theaters. However, if they're not attending, it's likely because there aren't enough cinema screens available in their area. So, even though there are potentially 10 to 12 crore unique viewers, contributing to ticket revenues ranging from INR 90 crores to INR 120 crores.

Krunal Shah: In terms of advertisement revenue, what kind of a sustainable growth rate that we expect over the longer term?

Ashish Malushte: I would say we've recently emerged from a significant shock, and while some may wonder why we're still referencing COVID. But for the cinema industry, it proved to be a prolonged ordeal compared to others. While other sectors quickly rebounded with pent-up demand. However, the cinema industry, particularly in the Hindi-speaking market, struggled for three quarters.

However, during this time, certain long-held beliefs are being vindicated. Firstly, the notion that cinema viewing cannot be replaced by smaller screens like handheld devices or television has been validated. Secondly, the belief that movies will not directly go to OTT platforms was another belief we held, but it remained until it was proven otherwise.

Thirdly, the effectiveness of cinema as an impactful medium for advertisers has been confirmed.

Fourthly, we wanted to validate whether, if the Central Government does not support in-cinema advertising, we would still be able to rely on corporate advertising to sustain growth. This is also happening. Therefore, we are not just living day by day, but rather looking at things quarter by quarter and picking up on the positive sentiments. It's a bit early to give projections and estimates.

Moderator: We have a follow-up question from Aditya Karanth. Please go ahead.

Aditya Karanth: Couple of follow-ups. One of your key metrics is the number of minutes sold per show, per screen. So, this has almost recovered to your 2019 levels, right? You have about 5.3 minutes versus 5.5 minutes in 2019. Can you explain what drives this metric? And do you think that this is like the peak saturation level of this metric, or similar to revenues we should not expect this to exceed 2019 levels, this 5.5 minutes sold, or do you see this kind of increasing going forward? And why would it do that, if so?

Ashish Malushte: I addressed this in one of the previous questions where we are trying to estimate what is the possibility of this network to deliver. The better networks deliver more than 18-20 minutes on average. That is known to all of us. We go and see movies in those theaters, and we see advertising. So certainly, there is significant room for growth in this metric, and consequently, the revenues should keep going up. The only potential question arises once we reach a stage of, say, 10-12 minutes, then there will be questions around what kind of growth we are seeing. But currently, we are far from reaching a saturation point, in our belief.

Aditya Karanth: So, 2019 was not like a peak. It was just COVID happened and therefore you saw a downturn.

Ashish Malushte: Yes, because, you need to determine the maximum number of minutes this network can sell. For example, if a premium multiplex averages 20 minutes, what should this network sell? 20 minutes? 18 minutes? 15 minutes? This sets an upper cap on revenue projections in your mind and as for the spot rate, we'll have to wait and see how it plays out.

Aditya Karanth: The question is, if Central Government revenue doesn't rebound, which seems likely, but they will not spend like the earlier INR 1000 crores either. What is your network's capacity to sell ads?

Ashish Malushte: We've been aiming to reduce dependency on Central Government revenue for some time now. Unfortunately, we found ourselves in this situation earlier than expected. However, the more pressing question remains, as I mentioned earlier, whether we can successfully sell our inventory from the current 5-minute to 10-12 minutes on those screens. If that can be consumed, it's evident that advertisers will invest in a proven and well-positioned medium, as was the case before the onset of the COVID-19 pandemic.

Aditya Karanth: Understood. One final inquiry. Advertising prices have been on an upward trend this quarter, though they're still below the peak observed in 2019. Can you provide insight into how the industry perceives this trend? Are the pricing at peak levels, or do you anticipate surpassing the 2019 benchmark? Additionally, could you offer some context on what's happening with Qube and how do you compare with that? Lastly, regarding TSR, are their ad prices per minute higher than ours, or do they offer lower quality than this?

Ashish Malushte: The spot rate is one aspect we've opted not to discuss openly as it can hurt the business, due to the varying rates offered to different customers. Therefore, while everything else is transparent from our end, we refrain from disclosing spot rates, which could be derived. So we would choose to continue with that. But generally, our network at present sells at lower rates than premium multiplexes, for obvious reasons. Although this gap may narrow somewhat, there will likely always be a difference between our pricing and that of premium multiplexes.

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.