"Prime Focus Limited Q3 FY-17 Earnings Conference Call"

February 15, 2017

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Moderator: Ladies and gentlemen, good day and welcome to Prime Focus Limited's Q3 FY17 Earnings Conference Call. As a reminder, all participants' 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, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Nisha Kakran from Four-S Services. Thank you and over to you.

Nisha Kakran: Good evening everyone and welcome to the Q3 and 9 Months FY17 Earnings call of Prime Focus Limited. We have from Prime Focus, Ramki – Managing Director, Prime Focus Limited and Founder and CEO – Prime Focus Technologies and Vikas Rathee, Group CFO.

We will start the conference with opening remarks from the management after which we will open the floor for questions. I will now handover the call to Vikas for his opening remarks.

Vikas Rathee: Ladies and gentlemen, good evening. First of all I want to apologize on behalf of Namit as he is on an overseas flight which is going to land in sometime - this was a last minute unavoidable plan hence he cannot join the call but he might join during the course of this conversation, so apologies. I will just take this opportunity once again to thank you all for joining us today. We are happy to report a strong quarter, we continue to demonstrate operating improvements over the last several quarters and we will continue to deliver frankly in line or ahead of expectations that we have highlighted to you over the last 12 to 18 months. So we are very happy with that.

Both the quality and the quantity of work on our table has continued to increase and the fact that we are able to deliver increasing operating leverage is what is driving the robust financial performance. You have seen once again a quarter where we delivered more than Rs. 500 crores of revenue, a positive PAT and we expect to continue to improve both our operating and financial performance.

We have clearly established ourselves as a leader across all of our three verticals. One is creative services side, where we are easily one of the top three and the leading independent service provider to the Hollywood industry. Prime Focus Technologies continue to lead the charge on the media ERP front and delivering robust results on the tech and tech enabled services side while Prime Focus Limited in India itself continues to be the leader and delivering excellent service to our Bollywood and Indian TV and advertising customers.

On the recent projects that we delivered during the quarter include the "Fantastic beasts and where to find them" that is the new franchise from the Harry Potter author and it got a very good response with more than $800 million in box office earnings and so it bodes well for subsequent sequels, potentially four or five of them and we are well positioned there, "Assassin's Creed" did well as well. As we have said on a quarter-on-quarter perspective order book now is at the highest ever in this business, we are at about $250 million plus with movies like Pacific Rim:

The Uprising, Justice League, Dunkirk, The Mummy, Wonder Woman, Fast 8 and Geostorm that we continue to work on.

We are also happy to announce that we have successfully entered into services for the main stream Hollywood feature animation side with a very large animation project from a marquee Studio which we will deliver over the course of the next 12 months. On the India side, we have delivered projects like Dangal, Dear Zindagi, Kahaani 2 and Force 2 amongst others and our pipeline continues to be robust there as well.

With this I would like to hand the call over to Ramki for his comments on the PFT side. Thank you.

Ramki: Thank you, Vikas and good evening everyone. PFT again had a good quarter. From year-to-date perspective we had a growth of about 18% in revenue with our international revenue at about 34% which is something that we continuing to track. Rest of the metrics are being very steady. Our annuity revenue mix is about 71%. Our product to services mix is about 51% product and 49% services. Profitability has been in the 25% to 30% range despite continued investments in business development, product development and marketing.

But the most interesting thing I want to share is that our Cloud SaaS business particularly our traction internationally is becoming more robust. The modularity of our media ERP suite is really starting to work because we are starting to win more logos especially with small to mid-sized deals internationally. We continue to invest in increasing our overall sales capacity to complement the traction and the marketing efforts that we have had over the years. In fact we continue to expand, we had a position / office opened up and to lead the business development efforts in Canada and we continue to start investing in new markets like Latin America for instance is the next big market that we want to get our sales presence going.

Our order book stands at about $200 million and that is again been a steady feature in our operating round. More significantly, we won a large contract in Latin America from Turner Broadcasting, its again a Tier 1 marquee customer probably the highlight of the quarter for us and overall we actually ended up winning about five odd logos internationally again for our CLEAR Media ERP SaaS product.

Additionally we continue to see robust growth in India with our engagements in the region from clients like Star HooQ, ICC, Asianet and so on. We also announced earlier this week expanding relationship with Tata Sky where we do a cross section of things to promote the broad range of Tata Sky content and services. Most pertinently our brand solutions vertical is again seeing a fairly interesting growth with some of the new client's addition this quarter including brands like Dove, L'Oreal, Havells, Bajaj and so on. I want to report saying that both our ROE and ROCE metrics from Prime Focus Technologies' perspective have been in excess of 20% and that is again something that we are quite happy about.

With that I want to hand it over back to Vikas so that he can take you all through the financial highlights of the quarter.

Vikas Rathee: Thank you Ramki. As I mentioned earlier our consolidated revenues have increased about 8% to cross about Rs. 507 crores. The operating EBITDA is up about 70% from the year on year perspective with about Rs. 122 crores for this quarter. I also want to say that December is not seasonally the best quarter we have, typically March and June are better, and so we are especially pleased with the performance in December.

The margin is in excess of 20% on the EBITDA side if you all probably remember we have been guiding to the fact that, 20% and above in EBITDA is what we were looking to deliver. So we are well on our way on that side and we have delivered a PAT positive quarter again, with PAT for the quarter at about Rs. 23 crores. From a nine months' perspective, our revenues have reached Rs. 1,500 crores and we are well placed to exceed Rs. 2,000 crores of revenue as we had guided for this current fiscal year. The operating EBITDA is at about Rs. 313 crores and margins are north of 20%. March is our strongest quarter so we are going to be well ahead of our guided EBITDA margin number of 20%.

We are PAT positive through nine months and we expect to be even better through fiscal 2017, given the order book that we have across the creative services, technology services and India FMS business, frankly FY18 will be even better. To give you a little bit color on the segment side. Creative Services revenue increased by about 13% year-on-year to reach around Rs. 380 crores and EBITDA margin for the segment is close to 23% as opposed to about 13% last December.

Tech and tech enabled services continue to grow in a robust manner, where we delivered about Rs. 85 crores of revenue and EBITDA margin close to 28%. Our domestic business grew to about Rs. 39 crores in revenue and EBITDA margins in the mid-30s. Consolidated debt as of December is at $220 million i.e. about Rs. 1,500 crores, we had a very healthy cash balance close to $30 million approximately. Again gentlemen, this is on an Ind AS accounting standards perspective where we frankly have to look at every instrument which is not straight equity as debt, as we mentioned last quarter. We have subsequently and during the course of this quarter you will see a big chunk of that cash to be used towards debt reduction.

With this I would like to thank you all for taking the time and we will be happy to open the line for any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session.

We have our first question from the line of Prithviraj from Unifi. Please go ahead.

Prithviraj: Couple of questions from my side. So the first one is on your creative services. The margins have went up significantly high. So can you explain the reason for this margin expansion and secondly, how sustainable are these margins?

Vikas Rathee: Yeah, thank you very much. The margin enhancement on the creative services side actually has been continuing for the last several quarters. The margin increase fundamentally is driven by couple of things. One is revenue growth as you have seen the revenue growth came through, we are continuing to do more and more projects and the pipeline obviously continues to increase, so the benefit of scale is coming through. Second one, which is a bigger contributing factor as we had mentioned in the past too is we are starting to expand the scale of our VFX offshoring work into India.

By the end of December I am happy to report we have close to 900 people in India delivering high end VFX work, we have frankly added several hundred people during the quarter itself and this has been a progress happening over the last six to nine months. So as more and more delivery comes through from the India side which is dramatically more economical than in the western markets. So more contribution coming from the domestic operations, together with the technological upgradation of the backend here is frankly a big contributor towards enhancing the operating leverage and the margins. You should expect to see similar and hopefully enhanced delivery in March as well, as we continue to kind of expand that base. There is a bit of seasonality in the business. So the different quarters will have slightly varying amounts of margins but you should expect FY18 as a whole to do well.

Prithviraj: And sir, coming on to your revenue growth, I mean what kind of revenue growth you are looking for FY18?

Vikas Rathee: Yeah, so we are in the middle of the process to figure exactly what we are going to guide the market towards. So I want to be better prepared and we should be able to give you guidance come the March fiscal year end results which is where typically you would see it. But what I can safely say that we should expect revenue growth on a percentage basis in a similar ballpark if not higher than what we have delivered in this fiscal and given the expanding operating leverage EBITDA should grow faster than that.

Prithviraj: Your India FMS segment currently it is growing at a very low rate. I mean some 3%, 4%. So going forward how do you see these divisions shaping up?

Vikas Rathee: See the India FMS business as you know is roughly about 7%, 8% our overall consolidated revenue. Again there is seasonality in this business as well, and in December some parts of our business do weaken especially things like studio and associated services because the weather is good and there are lot more shoots outside. Similarly, some of our film business depends on the pace of movies coming out at different points in time and events such as major holidays, IPL, elections, etc. impact the release of films. It is not typical of a western calendar where you have Christmas releases and then you have summer releases.

India is more driven by holidays around Diwali and Eid and as such. So there is a little bit of seasonality there. We expect on an overall perspective the India FMS business to grow strongly in the mid double digits in relation to the growth for this year. And given the market on India side continues to grow at 10%, 15%. We expect to grow at least at that number going forward as well.

Prithviraj: And do you see any pressure from pricing front in the Indian competitive scape?

Vikas Rathee: See for anything in India there is always pricing pressure, that is just part of how we all behave and deal be it on the business front or personally. So there will always be some pricing pressure. We are frankly price leaders in the market. We are clearly the number one provider of services. So we maintain a certain amount of price discipline and frankly we have been able to enhance prices in certain parts. So I think there will always be competition but the competition that we have is very fragmented and smaller. They will go out there and undercut on pricing side and that is what we expect, but that is not what we are looking to compete with.

Prithviraj: And if you see even here the EBITDA margins have went up by 5%, 6% in this particular quarter. I mean if you see it year on year. So what actually led for this margin expansion even here?

Vikas Rathee: Like I said there are certain part where we increased pricing and then we were able to utilize the capacities better, again EBITDA has been increasing across all of our businesses on a quarter-on-quarter perspective, there is nothing dramatically different this quarter versus earlier.

Prithviraj: So all these margins are sustainable, I mean for all the divisions?

Vikas Rathee: I believe they are sustainable and there is a very good opportunity to grow them further.

Moderator: Thank you. We have our next question from the line of Mayank Babla from KR Choksey Shares and Securities. Please go ahead.

Mayank Babla: I was just wondering if you could guide me through the annuity based revenues. May be my understanding is a bit blurred as in most of the projects that you get say for creative services isn't it project based and what exactly constitutes the annuity based revenues?

Ramki: This is Ramki here. Yeah, the reference of annuity was mentioned in the context of Prime Focus Technologies. Prime Focus Technologies typically end up with 3-6 years contracts with customers. So there we define any revenue engagement of the customer that is more than a year, as an annuity revenue. Anything less than a year is what we count as project revenue. So for

Prime Focus Technologies the project constitute about 29% of our revenue whereas the annuity constitutes about 71% of our revenue.

Mayank Babla: And sir, usually given the order book what is the execution time it takes?

Ramki: Generally it is between 3-6 years. Some contracts are three, we do have contracts that are two but that is a very small minority. Generally in the 3-6 year range is really where our contracts are.

Moderator: Thank you. We have our next question from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.

Jaineel Jhaveri: I just wanted to know why there was a reduction in interest cost this quarter.

Vikas Rathee: That is a good question, Jaineel. Frankly what we have been doing is one we have been obviously trying to drive down our interest across all our facilities. Other thing is coming from the perspective that we have been shifting our debt to more in relation to how our operations split out. So if you look at the fact that 70% plus of our revenues come from overseas there is no reason to have high cost India debt. So we have continue to shape our debt towards lower cost dollar and pound denominated debt. That is one part of it. Secondly, we have continued to reduce our bank debt, we have significantly reduce the last outstanding we had and before the end of March we will see all of that going to zero. So higher cost debt is fundamentally the key focus for us to reduce or eliminate and looking at the debt which is lower cost. So we are able to raise 4%, 5% debt overseas for the businesses we have specially PFW and parts of PFT, that is fundamentally what you are seeing.

Jaineel Jhaveri: Okay so like going forward our quarterly run rate for the interest would be about Rs. 20 crores, Rs. 25 crores?

Vikas Rathee: I want to be able to reduce that further, Jaineel. I am not satisfied.

Jaineel Jhaveri: And another thing is that in this quarter were we able to completely exit the digital domain shares that we have for the holding company?

Vikas Rathee: Yes, first tranche of that, we have actually monetized them at a pretty good price and you see part of it in the cash balance there, and we have already used part of that towards debt retirements and you will see a big chunk of the cash we have in hand as of now will also be used towards reducing debt. So we are expected to deliver debt numbers in March which are much lower than where we are right now.

Jaineel Jhaveri: So we have already exited the whole investment or only a part of it?

Vikas Rathee: There were two pieces to it if you remember, that was the two tranche transaction. So this is the $30 million out of the entire transaction which is about $50 odd million. The second part of the transaction continues to be in the works. So we hope to conclude that before the end of March when we will get marketable securities I cannot give you an answer. If we will be able to liquidate those by March or it is going to be subsequent to that, we will look at the right market opportunity.

Jaineel Jhaveri: Okay no, because the shares have gone other way. That is why I was just looking at it and kind of hoping that we would have exited. So we have exited most of it, out of the $50 mn, $30 mn is already done?

Vikas Rathee: See $30 mn is what we got in the first tranche and that is all gone. The second tranche we have not even received yet because the second tranche transaction is not closed yet. So when we get that it will reflect the shares we get and the market price at that point in time.

Jaineel Jhaveri: And for the tax rate what can we expect the tax rate now going forward at a quarterly percentage level on the consolidated numbers?

Vikas Rathee: Yeah, to be very frank we have different tax rates across different entities, the PFT is a cash taxpayer it's always been, it has been PAT positive all the way along we know. On the PFL side we had situations where we had losses so we are trying to use as much of that to cover the cash tax part of it. Same thing on the PFW side we have tax shelters that we will use but from our projections perspective we continue to look at 25%, which is a very conservative kind of a figure for our tax charges, as far as cash taxes are concerned it should be much lower than that.

Jaineel Jhaveri: Okay so 25% from next year?

Vikas Rathee: Yeah, we will start getting to that by the end of next year or two. Because like I said there is enough carry forward losses that we are able to utilize to try and offset the cash tax.

Jaineel Jhaveri: And in terms of working capital how is the working capital, since you are getting more and more business where do you see your net working capital in terms of days, what is the trend been like?

Vikas Rathee: The trend has been very positive. So overall on a consolidated basis my debtor days are starting to get in line with what we really wanted it to be. So we are still north of 30 days on a consolidated basis, certain parts of the business is higher than other. So domestic PFL has the highest in terms of debtor days that still continues to be north of 100 because that is just the nature of the business that we are in. PFT has been pretty stable and continues to improve. We are still in the 60 odd days range there. Just on an overall perspective but that continues to come down every quarter.

We have seen a pretty significant improvement on the PFW side and there we are as of now less than 30 days. Now again that is not saying that this is exactly how we are going to be, different quarters based on holidays in the west have different trajectories but ultimately on a consolidated side we are close to like I said between 30 and 45 days and our aim is to try and bring it to the lower side of that.

Jaineel Jhaveri: And one question for Ramki. I just wanted to know that why are we seeing a quarterly tepid growth so like quarter-on-quarter the growth in PFT was only 6% and the deals that we are announcing are bigger and better. But somehow it is not yet translating into numbers. So how much time does it take from you announcing a client to them actually being on the platform and then you delivering services and accruing those revenues. If you could just explain one of those kinds of deals?

Ramki: So the two observations I made, if you really look at it many of our international deal sizes are obviously smaller than what we do in India. And now we are strategically pegging ourselves to that trend which we will track to and work towards.

Jaineel Jhaveri: So what you are saying is that going forward you will start seeing a better growth rate is that what you are saying?

Ramki: So what I was saying is that one internationally the revenue mix that we have, we definitely are looking at a larger number of smaller deals like what SaaS companies typically will have which actually augurs well for the business. It’s just that our original sort of intent two years ago considering the deal sizes, ticket sizes that we had in India we pretty much thought that ticket sizes internationally are to be higher than what we have in India. But there is some work that we got to do in the international markets to establish ourselves better than where we have accomplished.

So that is why we have made our offering more modular so that we at least get entry into accounts much quicker, which is happening. And because it is modular the ticket sizes are commensurately lower than what we have in India. So if you really look at it we are closing more deals but because of the fact that ticket sizes are lesser and look ticket sizes being lesser does not operationally impact us because it is SaaS business. We do not have to work on it to get that, apart from an implementation which also happens quicker, smaller deals get implemented quicker. It is a SaaS deal because the incremental cost of delivering to that deal is marginal. So it augurs well for the business and it just presents ourselves a much better foundation for the future from that perspective. We also had a little bit of a demonetization effect from an India market perspective. Because we are working with primarily broadcasters and we now do have a percentage of revenue coming in from brands as well. So that has also contributed to our India revenues vis-à-vis the previous year same time. We are also spending more time internationally to really invest in relationships and participate in more deals in the market place.

Jaineel Jhaveri: So do you expect in PFT we would have a growth rate of 20%, 25% plus on year-on-year basis overall if you could?

Ramki: You would expect that is where we should at least get to for sure. If you have seen it year-on-year it is currently 18% and yeah 25%, 30% is probably the range we should be operating at as a business.

Jaineel Jhaveri: And in terms of the products that you all have, are you comfortable or are there still some product gaps that we are working on?

Ramki: If you really look at it interestingly by end of this quarter we will have the culmination of a number of efforts that we have undertaken over the last 12 to 18 months comes true. So our product line in April-May-June quarter would probably be the best that is ever been in the company's history. So we are very happy about that. And again this is when you all may remember that we acquired a company called DAX about three years ago. And clearly now the new product line that we will bring to market, has the functionality of DAX, embedded in the new products. So the real cross sell and upsell capabilities, the promise that we have with the leading studios in the US will all come to bear fruit now because the cross sell, up sell is all on the basis of the same product. So yeah, we feel very good about where we are on the product side.

Jaineel Jhaveri: And for PFT alone the ROCE, ROE you said that they are greater than 20%. So are those numbers going to trend even higher or there is going to be a lot more marketing spend that is going to go on in PFT in next year or the next couple of years?

Ramki: So if you look at it, it ought to go up but like I said we are going to be focused more on growth. So we are going to be doing a balance between growth and watching those numbers.

Moderator: Thank you. We have our next question from the line of Apurva Mehta from KSA Shares and Securities. Please go ahead.

Apurva Mehta: Sir, just wanted to understand about the debt profile. So in next two, three years down the line what will be our debt profile?

Vikas Rathee: When you say debt profile you are talking about the quantum of debt?

Apurva Mehta: Yeah, the quantum of debt, going ahead?

Vikas Rathee: See over the next two, three years the company should be at least 50% bigger than where we are right now that is how we look at it, hopefully more than that but that is what the expectation is for us. So what you will see is on a relative basis debt will come down just generally on that side. Regardless of our target, we have said that before also that the businesses are performing they do not require any significant amount of investment going forward so cash will start to come through, additionally we are monetizing non-core assets. There is a certain benefit of debt from a tax and governance perspective. So if you ask me can we be debt free in three years, absolutely. Would we be debt free in three years, no because there is certain benefit that you need to have that comes along with it, right. So the target for ourselves right now is one to bring the debt down sufficiently below Rs. 1,000 crores as quickly as possible and what you should see is by the end of this calendar year we should be dramatically lower than that. That is one, so aim is clearly to reduce debt. There is a certain amount of working capital facilities we will always need because that is important to have and Rs. 600 crores, Rs. 700 crores we can just support on the back of just working capital. So aim is to reduce the term debt part of it, continue to reduce the interest cost again and given how the business is performing and the opportunity we see both domestically and internationally you should continue to see this come down every quarter.

Apurva Mehta: On the CAPEX side, what will be the CAPEX program for next one to two years down the line? Are we going to invest in PFT or creative services which line we would invest more and what is our pipeline for CAPEX going forward?

Vikas Rathee: So what I would like to say is that we go through a very diligent kind of CAPEX plan on year-on-year perspective for example we are below on what we targeted for PFT with less on CAPEX than we initially had gone through. So regardless of the budgets we set up we look at it very closely every time we have to spend. Our CAPEX in terms of what we needed to do from a base perspective is absolutely behind us. Even this year most of the CAPEX we spent is on a growth basis. So as a company grows you will see CAPEX but going forward my depreciation overall and my CAPEX number should continue to come down as opposed to go up. We have done fairly significant upgrades of the infrastructure and equipment we fundamentally needed to deliver the kind of work we are delivering both in the PFT side and creative services side. So yes, if growth comes in ahead of what we are anticipating some of that will require CAPEX but if it is supporting growth and is on growth base I do not think we will shy away from that.

Apurva Mehta: But the figure wise what will be, if it is Rs. 50 crores, Rs. 100 crores what kind of CAPEX will be there?

Vikas Rathee: So to be very frank if I go from say Rs. 2,200 crores to size of say Rs. 3,500 crores from that perspective I am not saying my CAPEX is going to be 10% of my revenue. But you should expect it should be north of 5% on an overall consolidated perspective. Is it 7%, 8% it is difficult for me to guide but between 5% and 10% CAPEX is something that you should budget for.

Apurva Mehta: And on the PFT side, you said about large contract from Turner coming in. What do you mean by large contract because now we were seeing that the overseas contracts were smaller size. So if you are saying that large contract, can you quantify the amount?

Vikas Rathee: So generally the way we look at it is that large contracts are anything annually that is more than $1.5 million and mid-size is really $500,000 of annual revenue between and small contracts are anything which is $150,000 and above. That really how we define small, medium and large. This is different across different businesses that is the PFT, from a PFW side the numbers are dramatically different.

Apurva Mehta: But then this contract is really large, Turner?

Ramki: We will disclose that at an appropriate time.

Apurva Mehta: Sir, earlier that transition was there where we enter in a small way with different customers and then we will expand. Is that going slower than what we were expecting?

Ramki: No, it is not actually it is going better than what we were doing about 12 months ago. So we should see that momentum only going up as we speak. Also, we had an equity infusion about four, five months ago and we are now deploying real growth capital. So the real growth capital has been available for the business only in the last three, four months.

Apurva Mehta: Sir, the DAX integration, are the things done in the integration part with DAX and we are ready with the things and are you satisfied with the integration process?

Ramki: Yeah, the integration got over as per schedule about 18 to 24 months back. What I talked about is that we anyway had in a roadmap for us to develop a new DAX product, right and that new DAX product is under the CLEAR framework or as part of the CLEAR product and that has been getting completed and we are currently in the beta phase right now. And we will take it to production in the April to May time frame that is really something that we are quite excited about.

Apurva Mehta: And on the India side, how is the new contract shaping up and are we getting new contracts bigger the size or what is your take on the India side?

Ramki: If you look at it over the last few quarters we talked about how we used to do business with Hotstar on the back of Hotstar we did Voot, HooQ and Amazon Prime the launch in India was completely something we were actively involved in, powering that launch. We continue to get several logos in the brand solution side that really has been a very interesting addition to the growth cycle. Our content localization revenues have nearly doubled within the revenue mix. Brand solutions have really doubled and again so it is like I said we feel good about where we are at this point in time.

Apurva Mehta: And on the creative services what is the traction and what type of growth we can expect in next one year time? Can you throw some light on that?

Vikas Rathee: Yeah, so the creative services business if you just see the growth in the order book, the growth continues to be pretty good. To be very frank we still turned away revenue this year because we have to grow the capacity of execution at the same time. So what you should expect over the next 12 months is that we will enhance our capacity from an India perspective. That business three years ago was an $80 million business, this year we will probably do $240 million. So it has basically gone through, part of it is inorganic but an equal part of that actually is growth on the back of capacity expansion. So the growth is just limited by how much execution capacity we have. We have delivered a good growth in this year. We expect to deliver a good growth on the fiscal year end and you should see similar growth for the year forward thereafter.

Apurva Mehta: So on the outsourcing front, is the percentage whatever you have decided earlier to outsource more and more from India. Is it working well and what you have thought or it is doing better than what you thought?

Vikas Rathee: Let me answer it in two different ways. What I can tell you is it started to grow a little bit later than we would have liked it, to be very frank but if you ask about where we are right now it has caught up to where we wanted it to be. And frankly we would be at or above the positive by the end of March. So some of these things, it takes little time for it to really start but when it start it just soars. So that is where we are and we have good opportunity to build it and enhance from where we are today. So that is the expectation. So we are not unhappy to be very frank we are actually happy with where we are and that is allowing us to deliver margins ahead of what our targets were.

Apurva Mehta: And lastly on the listing front on US. So you were planning to have some listing in US also. So what are your plans on that?

Vikas Rathee: So in the past what we have said is we look at all options and all I can say to you is we look at all options and we are acting on all options. I am in no position today to give you better guidance than that. Our businesses are growing and we fundamentally believe that as the businesses deliver growth there is always a market and investor base which understands that. And that is the key focus for us. We took in this fiscal a small amount of equity in PFT. PFW today is a very attractive company and we will look at all options to maximize value for all our stakeholders.

Apurva Mehta: Yeah, so it will help you to cut down the debt that is the only question?

Vikas Rathee: Yes sir, absolutely. We absolutely appreciate that.

Moderator: Thank you. We have the next question from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.

Jaineel Jhaveri: I just wanted to know that since the company is becoming profitable is there a thought process for dividend plan or a dividend payout or anything that is decided or is there going to be one?

Vikas Rathee: Jaineel that is the board level decision and there is no decision as of now, first priority is to ensure we reduce our debt. And then to make sure there is sufficient capital to continue to enhance and grow the business. So we are still a growth company we continue to grow very well. I am sure that at point in time the best return on the capital would potentially imply a dividend but I do not think we are there yet.

Jaineel Jhaveri: And in terms of the growth aspects that you were talking about that in the next two to three years you want to be 50% bigger. How easy is it going to be like would we have to give up on margins or do you see that kind of growth out there with the same kind of metrics?

Vikas Rathee: Jaineel, you have to just go as far as two, three years back as to where we were and to where we are right now. So to be very frank on the market side there is a massive amount of opportunity for growth for both the tech services business as well as the creative services business. So there is enough and more opportunity. When I say 50% growth in three years I think we should do more than that. I don't think it is a question of compromising on pricing, we never have compromised on price. We have always been price leaders regardless of which geography we have focused on. We are going to deliver stellar value to our customers and when we deliver that we get the price for it. So it is not a pricing thing. I think it is more a question of how much work that we can handle and how do we take advantage of our operating leverage.

Jaineel Jhaveri: And Ramki, in terms of PFT, is there going to be a product that comes out of the company which is going to be targeted to consumers directly as opposed to businesses you know something where say I have multiple videos that I want to may be monetize and I want to put them on YouTube on different platforms as a consumer. So something where there is no installation or anything and I can just use it and be something like a drop box and I want to put my stuff on there and I can do it. So is there going to be a consumer kind of a product?

Ramki: So far historically we have never had our own R&D towards activities like that. We have been B2B in what we put out from our fundamental R&D and product side directionally that is kind of really where we have been and where we are today. What happens in the future I do not want to foreclose any of those options. Just to say that we call them B2B2C. So in B2B2C we have actually partnered with companies to get solutions. Starsports.com traditionally was one such endeavor, just to give you an example where we didn't have a product of our own we identified and partnered with companies who had products and we brought a solution to our customer. And such things definitely continue.

Jaineel Jhaveri: And in terms of PFT's growth do we implement everything ourselves or do we have implementation partners like the likes of Tech Mahindra, Infosys those kind of implementation partners or do we do everything ourselves?

Vikas Rathee: So historically we implement our solutions and we are looking at options in the future.

Jaineel Jhaveri: Okay so we might go down the path because that actually juices up the revenues and without doing as much work for those revenues?

Vikas Rathee: Sure.

Moderator: Thank you. Ladies and gentlemen, that was our last question. I now hand the conference back to the management for their closing comments.

Vikas Rathee: Yes, again thank you, ladies and gentlemen for joining us for our earnings call for the December quarter. Once again, I apologize Namit could not be on, he is just literally just now landed and I just got a message. So apologies for that. We look forward to your support in a continued fashion and we look to have a call for the fiscal year end and hope to deliver even better results for the March quarter. Thank you.

Moderator: Thank you. On behalf of Prime Focus Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.