



Prime Focus Limited

Q4 & FY12 Results Conference Call Transcript

June 8, 2012

- Moderator** Ladies and gentlemen, good day and welcome to the Q4 & FY12 Results Conference Call of Prime Focus Limited. As a reminder, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing '*' and 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. Mayur Maniyar from CDR India. Thank you. And over to you, sir.
- Mayur Maniyar:** Good evening, everyone. We welcome you all to Prime Focus's Q4 & FY2012 earnings conference call. Today, we have with us Mr. Ramki Sankaranarayanan – CEO, Prime Focus India; and Mr. Nishant Fadia – CFO, representing Prime Focus. We will begin this call with opening remarks by the management, after which we will have the floor open for an interactive question-and-answer session. Before we begin, I would like to point out that certain statements in this call maybe forward-looking in nature and a disclaimer to this effect is included in the presentation and in the earnings call invite which was sent to you earlier. I will now like to hand over the floor to Mr. Ramki Sankaranarayanan to make the opening remarks. Over to you, sir.
- Ramki:** Good evening everyone. It is a pleasure to have you on our Q4 FY12 earnings conference call. We have ended the year on a strong note with our revenues up by 53%, EBITDA up by 25% and PAT up by 30%. This has been driven primarily by the strong traction seen in our 2D-3D conversion, VFX & PFT businesses.
- Being a global leader in the 2D-3D conversion market bodes well even better today. Avengers which has taken in \$1.4 billion, MIB 3 which has collected in excess of \$ 400 million, Immortals, Titanic, Star Wars – The



box office results of these movies has established that 'consumers' like good content presented in 3D. Pertinently, the use of conversion as a process as opposed to native production in the making of these movies has possibly removed any doubts in the minds of the industry pundits about conversion. Our estimate is that, there are atleast 50 movies that will be released in 3D this year which is twice of what were made last year, and the conversion spend, is estimated to be about \$250 million. Star Wars & Titanic take the cake, as it has vindicated our belief in the potential of the library, and the demand for conversion in the library, opening up another market which stands at \$2.5-3 Billion. Prime Focus has significant competitive advantages in the 2D to 3D conversion space in the form of – Proprietary Technology – View-D, scale, time-to-market and global delivery which continue to serve our competitiveness. And with the demand side, being steady, we expect the current growth momentum to continue in the next year as well.

Our VFX business is also witnessing strong growth as we look to increase our share in this USD 5 billion which is a huge but an evolved market. The last year saw us grow this business substantially with investments in Vancouver, London and Mumbai facilities. We are also making investments in attracting the best talent and leveraging our deep and trusted studio relationships with the Studios. We will continue to grow this business, a key strategic sector for Prime Focus.

Coming to Prime Focus Technologies, it has grown by over 200% this year. PFT is a Technology led services business for the Media & Entertainment space. PFT's CLEAR is a Cloud based Technology platform, an enterprise class technology to manage the business of content. It helps manage content, workflows, supply chain logistics, interactions, and production and operations management tool. For what it does, CLEAR is not only the World's First Hybrid CLOUD Technology platform, but the World's most Established CLOUD platform managing over 150,000 hours of content for Broadcasters, Studios & brands worldwide. The Software as a Service Model for technology and Services on Tap model have helped grow revenue by 200% this year. Client wins like Associated Press, British Films Institute, Sony Music, Netflix, Viacom, and National Geographic Channel have signaled the global adoption of CLEAR and how it is helping our clients manage the business of content. The successful deployment of Star TV and the Ubiquitous CLEAR iPad application have helped demonstrate true digitization of the content enterprise including the digital media supply chain enabling creativity, better monetization & driving efficiencies. Driven by the increased adoption of CLEAR, we carry this momentum with a very healthy order book into the next year.

Going forward, all our businesses continue to show healthy momentum and we remain confident of delivering yet another solid performance next year. I would now like Nishant to give you a brief on the financials.

Nishant Fadia:

Thanks Ramki. Good evening everyone. I would now like to give you a brief on the financials. We are pleased to report a great set of results again.

For FY12 Net Revenues grew by 53.5% to Rs. 7,719.1 million, EBITDA increased by 24.8% and stood at Rs.2,285.4 million, Net Profit grew by

30.4% to Rs.992.5 million, Diluted EPS for the quarter increased from Rs.5.89 to Rs.4.86 per share.

To give you a segment-wise break up, the 2D to 3D conversion segment contributed about Rs.3,130.5 million up by 89% , VFX contributed Rs.1,493.0 million up by 80% and PFT contributed Rs.335.8 million up by 205%, Post production contributed Rs.2,759.7 up by 13%.

For Q4 FY12, Net Revenues grew 146.3% to Rs.1891.3 million; EBITDA increased by 24.9% and stood at Rs.588.2 million, Net Profit grew by 104.6% to 209.1 million and Diluted EPS for the quarter increased from Rs.0.65 to Rs.1.24 per share.

Going forward the growth will be driven by the US business which essentially represents the two verticals of the revenues, which is the 2D to 3D conversion market and visual effect services model. Also PFT is shaping up nicely given its niche position in the content management space and has grown from Rs 11 crore to Rs 33 crore in revenue

In terms of debt on the balance sheet, excluding the FCCB we have about US \$ 65 million of debt across the group. The profile of this is 35 million is working capital, 15 million is long term property debt and another 15 million is in term debt.

Debtor days have moved up slightly on the back of turnover going up by 53% plus the movement in exchange rates by approximately 15%, we are of course trying to get this number to be better and are confident that it will improve over the next few quarters.

Before I end, I would like to state that we are also looking at doing a value unlocking in our US subsidiary I cannot give you details on the specifics currently but what I can say is that we expect this transaction to be completed very shortly. As soon as we are in a position to announce something we will communicate it to the exchanges and share the details with the market participants. I hand it back to the operator now. We will be happy to answer any questions that you may now have.

Moderator

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press “*” and then “1” on your touchtone telephone. Participants are requested to use only handsets while asking a question. The first question is from Saira Ansari from Elara Securities. Please go ahead.

Saira Ansari:

Hi, Nishant, Saira here. I just wanted to check up on the order book. Last time we managed about \$90 million in the 2D-to-3D conversion business. Where does that stand currently?

Nishant Fadia:

Currently, it is about \$80 million between the Star Wars project and the Warner Bros. library conversion contracts which we have. That is on the Creative Services business and we are sitting on between \$8 million to \$12 million of order book on the Technologies business.

Saira Ansari: You mean PFT?

Nishant Fadia: Yes, that is right.

Saira Ansari: That would be the AP deal?

Nishant Fadia: AP and other deals including BFI, Netflix.

Saira Ansari: Sony as well. Am I right?

Nishant Fadia: Yes.

Saira Ansari: Did we add any other client on the CLEAR platform April onwards this year?

Nishant Fadia: April onwards, I think we added Sony, an addition since this fiscal.

Saira Ansari: So together 2D-3D as well as PFT comprises about \$92 million of the order book?

Nishant Fadia: That is right. The other client we have added in this quarter was National Geographic.

Saira Ansari: For CLEAR?

Nishant Fadia: Yes.

Moderator Thank you. The next question is from Pranav Kshatriya from Brics Securities. Please go ahead.

Pranav Kshatriya: My question is, in your presentation you have mentioned that the pipeline is more than \$150 million. I just want to understand what the remaining part is. You mentioned \$80 million on 2D-to-3D conversion, \$12 million on PFT.

Nishant Fadia: The \$150 million is on the basis of a longer period of time, it is about four to five year period, and also it includes the transaction where we have signed the deal but not started work. So we are taking a conservative approach and not actually talking about that in terms of overall order book, because it is a more a long-term contract.

Pranav Kshatriya: This \$92 million is it executable over what period of time?

Nishant Fadia: It is executable over the next 18 months.

Pranav Kshatriya: And one more thing, in your CLEAR business, can you quantify in terms of how many licenses you have sold or something like that so that we can get an idea about the growth and we can model it accordingly. The same with the 2D-to-3D conversion, how many hours of conversion so that it can help in making forecast?

- Ramki:** On the CLEAR business, it is a technology led services business; where technology is offered as a service. There are three forms and shape in which it comes in handy, when you work with the customer. I can describe this as a services factory in which CLEAR is used as a platform to run the factory. That is one sort of an engaged model. The second engaged model is that somebody deploys the work in the factory but also uses it to manage the work that is given to the factory. And the third one is clients who do not quite engage the factory but because of the goodness of the platform want standalone access to the technology platform. So, we have three different ways in which the technology platform gets leveraged or used. The beauty of the model is that you do offer it as a per user price, but per user is one of the ways of in which customers pay for it. There are other models where the technology is embedded within the transaction. While it is a good attempt to try and model it on the back of the number of users, but I must tell you that this is just one vector because many a times today, the power of the offering is in the fact that the technology is embedded within the various service transactions that we do for the customer. Whether it is a fulfillment that I do for a customer or an acquisition for the customer or whether it is content localization. All of these factors are increasing. On the last count, we manage about over ten and a half thousand episodes of content localization currently. So, that is kind of a clear metric that defines it. I talked about 150,000 hours of content under management. That is the other vector that signals the growth in the use of the technology platform.
- Pranav Kshatriya:** And one last question, your receivables has increased a bit. And the total receivable stands at around Rs.290 crore. So, how much of that is more than six months and how much is less than six months?
- Nishant Fadia:** Out of the total receivables of Rs.290 crore, we have about Rs.92 crore which is more than six months and the balance is less than six months.
- Pranav Kshatriya:** And how do you see it going forward, should we see this expanding with the increasing receivable days or it can come down over a period of time because I think this is one of the serious impediments to your cash flows.
- Nishant Fadia:** Going forward, as the business moves more towards 2D-3D conversion and the Prime Focus Technologies model resulting in their combined contribution increasing you will see this number coming down. Also you see a consolidated number; we operate against across three geographies, India, US and UK which have different dynamics on how the industry works. I am pretty sure that with the changing business mix, the number will actually go down.
- Moderator** Thank you. The next question is from Ankit Kedia from Centrum Broking. Please go ahead.
- Ankit Kedia:** Nishant, just one question I want to ask on the Animation business. The presentation says that we are targeting that opportunity and we have already bagged an order. Could you quantify the order and give some idea in which geography we would do this business?

Nishant Fadia: Basically, Animation has always been the sort of business which we have not stayed away from, but because we were more on the photo realistic visual effects space it had a different dynamic to it. Over the past year we have been contracted in the US subsidiary for a Animation project. I cannot give you the name because we are under a NDA but it is basically a television serial which we are animating for the European clients and almost 22 episodes of that which will go through in 12 to 15 months at our facilities. The encouraging factor for us is that the product has been extremely well accepted, a lot of the work is happening in India, and that bodes well for us going ahead.

Ankit Kedia: In future, can we expect growth from this space as well and does it open an opportunity for us going forward?

Nishant Fadia: Sure. I think we will see more of this as time progresses.

Ankit Kedia: Can this also be outsourced to India in the future and the margins can expand?

Nishant Fadia: Like I mentioned, it is being done in India largely and product quality is also very good.

Moderator Thank you. The next question is from Jayesh Mehta from D E Shaw. Please go ahead.

Jayesh Mehta: Hi, Nishant. I had a couple of questions. One is on profitability. Can you throw some light why EBITDA margins are coming down, and when can we expect stable EBITDA margins? And also, can you give us some figure on capex for FY12 and what is going to be the capex for FY13?

Nishant Fadia: EBITDA margins actually have been stable between 30 and 32%. There is a slight adjustment throughout quarters and this is where I would urge people to look at more from an annual rather than Q-on-Q basis. But 30 - 32% is a very comfortable stable margin at which we internally operate. I do not see any reason for that to change in a hurry. On the capex question we have done about \$28 million last year. For this year we expect it to remain between \$10 million and 15 million, largely on the back of expansion in Prime Focus Technologies which is scaling up as you heard in the opening comments.

Jayesh Mehta: So basically this \$10-15 million capex, is the guidance at the starting of the year and it is going to be spent on PFT?

Nishant Fadia: Majority of it. That is the current expectation.

Jayesh Mehta: And out of \$65 million debt, I understand \$35 million debt is working capital and the balance \$30 million which is in terms of equipment lease and long-term debt. What is the repayment schedule for next one year, how much of the debt is getting matured?

Nishant Fadia: I would say between \$4 million and \$5 million is due in the next 12 months.

Jayesh Mehta: And in the opening remarks you mentioned about the US subsidiary transaction. So, I understand you will be probably under the NDA, so you will not be able to disclose. But we were looking at a couple of options, IPO and roping in the strategic partner or a financial investor. So, which one has clicked, can you just throw some light at least on that?

Nishant Fadia: Currently, I am not at liberty to talk about specifics on the transaction, but we will definitely communicate to the market as soon as we have a green light.

Moderator Thank you. The next question is from Subhankar Oza from SKS Capital & Research. Please go ahead.

Subhankar Oza: My question has been answered. Basically, wanted to know something about the US subsidiary. If there are any numbers you can share with us? If that cannot be shared I think my question is answered.

Nishant Fadia: Okay, thanks.

Moderator Thank you. The next question is from Sameer Shah from Value Quest. Please go ahead.

Sameer Shah: One, I wanted to understand why current liabilities have gone up from Rs. 72 crore to 315 crore. What could that be?

Nishant Fadia: That is actually a reclassification. You might be aware that there is a revised Schedule VI format. All liabilities less than a year are shifted and shown as current liabilities because the FCCB matures in December. That has been captured in current liabilities. The corresponding decrease is actually in long-term borrowing.

Sameer Shah: Second, if you can just tell us something about the VFX business in US, how that has done and if there is some traction there?

Ramki: VFX business is something that we have consciously worked over the last several quarters and from what happened last year I think the signs are quite encouraging for us. It is a competitive and a mature market, even though the absolute size of the market is about \$5 billion in our estimate. We have a couple of interesting things going on for us, we have made some investments in Vancouver, we have grown our investments in London and we continue to grow our capability and talent pool and base in India. I think Vancouver and London also give us good local talent base. Both of them also give tax breaks for clients, and that you dovetail with the low cost fulfillment out of India, the three of them make it a very compelling option from a client perspective in terms of scale and the overall costs. Second, I think is we have made some technology investments in the business, to manage what we call a 'Global Digital Pipeline.' So, these days given the amount of work that gets done, the number of visual elements of files that we handle in any project is quite substantial. And so, the need for a technology platform to be able to manage the assets in this case, work flow and manage the quality of the deliverable. That is something that we have

invested now again over the last couple of quarters and continue to invest there.

Sameer Shah: When do we see that becoming significant in our scheme of things, will it take a year or two or from next year? When can we expect that to gain traction?

Ramki: I think it is something that has already started to work in the way we see it and we will continue to gain from strength to strength. Our average price realization of these projects would start to determine our progress. I think both the number of projects and the price realizations of these projects will start to grow. We are completely focused on this area and it is becoming one of the key building blocks in building our revenue and profits.

Sameer Shah: And one last house-keeping question, what is the total number of employees and where is the Chandigarh utilization?

Nishant Fadia: Total, we have got 4500 people globally. Chandigarh utilization I would say currently between 70 and 75%. We have about 900 people there.

Sameer Shah: And the capacity is for 3,000?

Nishant Fadia: Yes we plan to build it up phase wise

Moderator Thank you. The next question is from the line of Kavita Vempalli from Nirmal Bang. Please go ahead.

Kavita Vempalli: On PFT, which are the geographies you think the growth is going to come from?

Ramki: It was a good question. I think we have been very selective in how we approach this. Clearly, I think late last year we made an announcement that there are three markets; UK, US and South Africa. So, these are the three markets that we actually expanded into and South Africa was pretty much the last of the lot. In last year we already saw revenues from both UK and US into the mix and this quarter we have already started our revenue stream from South Africa. So, I think these are the three markets that I do see the biggest expansion really coming in; US, UK and South Africa in that order.

Kavita Vempalli: As of now I guess whatever the clients' name that you gave, primarily they were from domestic clients?

Ramki: Some of them were domestic, if you look at it some of them were overseas; British Film Institute was overseas, also Viacom International and Netflix.

Kavita Vempalli: Is there any margin disparity between these clients?

Ramki: Some of these are technology led projects as well. So, technology-led projects have the same margins because the good part is that the price realization overseas will start to be higher and that is also because of the promise that we have in the business.

Kavita Vempalli: And which is the biggest client if you can name in PFT?

Ramki: Star TV is our biggest client currently.

Kavita Vempalli: And secondly on the 3D conversion part, we have already done one episode for Star Wars. So, have we started work on the second episode or is it getting delayed?

Ramki: I am afraid; we are not at liberty to specifically comment on projects, Kavita.

Kavita Vempalli: I just wanted to understand now that we have already done one episode and it has done moderate-to-good kind of business. So is there any possibility that tomorrow say a third or the fourth episode does not do good, they can come back and take back the contract?

Nishant Fadia: I think we are fairly sure that we will be doing all of the Star Wars work, we have got very positive feedback from the producers and the industry in general about the quality of work in Star Wars. So, right now that is not something which we perceive to be a problem at all.

Kavita Vempalli: And as of now we are involved in conversion to 3D. Are we also participating in the original 3D movie making?

Ramki: Actually, today that is what I mentioned in my opening remarks. Even when new movies are being made and when the new movies are wanting to be exhibited across 3D screens, there are obviously two ways of doing it, one is by natively shooting them and producing them in 3D or by producing them like you did before but using conversion as a mechanism to make it available in 3D screens. Very clearly, this debate was quite ripe about 12 to 18 months ago, as to which one is more appropriate to do and so on. And from what happened over the last 12 months, it is very evident that the conversion process is much more creatively empowering for the film maker. So it is very evident that the process of conversion is equally applicable to new movies that are being made as well. Whether it is Avengers, Men in Black or Immortals, the process of 2D-3D conversion was used in significant quantum.

Kavita Vempalli: And finally, one last question, now with the traction increasing in the 3D conversion business, how has the competition actually moved up? Are there any global players who are actually tying up with players in India or other low cost countries?

Ramki: We will look at it as being consolidated as opposed to increased. So very clearly, there are pockets of excellence, because this is also an expertise business at the end of the day. You get better at it as you do it more and more and I think you also need a piece of technology and we have the technology called 'View-D' for helping the conversion process, helping the creative process of making it look better. So I think that is again an entry barrier for it being localized. In terms of new players coming to the party and starting to threaten us, I do not foresee that as a viable option. Given where Prime Focus is, we are in a very good position to take share from competition.

Kavita Vempalli: What was the attrition level for FY12 and what are the hiring plans for the next year?

Nishant Fadia: Attrition is between 10 to 12% at the lower salary scale. We are looking to hire between 1200 to 1400 people across the group.

Kavita Vempalli: Any guidance for next year on revenue?

Ramki: No, we do not give formal guidance.

Moderator Thank you. The next question is from Pranav Kshatriya from Brics Securities. Please go ahead.

Pranav Kshatriya: One more question, I wanted to know how much of your revenue is in dollars. I mean there are export revenues and how does it play with Rupee at 55?

Nishant Fadia: Actually, all the revenues in the UK and US subsidiaries revenues are obviously in foreign exchange. India geography, will contribute about Rs.120 crore, out of the Rs. 770 crore. The rest will be foreign exchange or export revenues and obviously, the rupee moving the way it has, plays to our advantage in that sense.

Pranav Kshatriya: So I would say around 80-85% of the revenue is from foreign currency?

Nishant Fadia: Yes.

Pranav Kshatriya: One more thing, your employee cost has gone up more as compared to last two quarters. I just want to know where the pressure has come from. Is it because of increase in a number of people or is it because of increase in the employee cost?

Nishant Fadia: It is actually both but more so due to an increase in a number of people. I think last year around this time or at the end of fiscal we were about 2200 or 2500 people. We have almost doubled in capacity. So, the increase has largely come on the back of increase in headcount rather than increase in the cost per se.

Pranav Kshatriya: And how do you see for the next one year? You told me about the number. How do you see the salary per employee metrics?

Nishant Fadia: Not drastically, there might be a mild increase.

Pranav Kshatriya: In line with inflation.

Nishant Fadia: Yes, but nothing which is alarming.

Moderator Thank you. The next question is from Jayesh Mehta from D E Shaw. Please go ahead.

Jayesh Mehta: Since you mentioned like 80 to 85% of our revenue is in international currency, what is our hedging policy?

Nishant Fadia: Currently, we have not been doing any active hedging for revenue but we remain very aware of the movement which has been happening and have retained consultants who are going to help us with formulating and developing and putting into place an effective strategy if needed.

Jayesh Mehta: Like we are saying our EBITDA margins would be in the range of 30 to 32% and we do not having any hedging policy in place. So, these margins could be very volatile based on the way the currency is moving. What I am trying to say right now currency is in our favor because it is declining but the moment if it starts appreciating then the margins will be hit or does it mean like for next two quarters margins would be higher?

Nishant Fadia: No, I do not think it works that way because it is not as if only my revenues in foreign exchange, even my costs are in foreign exchange. So if only revenues or only costs change, and there is a foreign exchange impact. Given that revenues and costs both are in foreign exchange, I would not have that volatility in my EBITDA level. The foreign exchange volatility whichever way it goes will be captured in revenues and costs both.

Jayesh Mehta: The reason I am asking this is because we have plans to increase our headcount in Chandigarh facility. We already have 900, so that is almost 40% of the headcount. I look at our major cost structure which is personnel cost. So, I was just wondering like during this transition when most of our costs will come in the Indian currency.

Nishant Fadia: Not really, although the number of headcount is much larger clearly in India, it is not commensurate to the labor costs in the western markets. So, clearly, that is where the opportunity for us lies. And there is no disproportionate increase in the Indian operations which would so far push up the costs in rupee that would actually start making a difference.

Jayesh Mehta: So would you be able to give any broad number on what percentage of our costs in dollar terms and what is in Indian rupees?

Nishant Fadia: I could give it to you offline. I will pull that out and give it to you.

Moderator Thank you. The next question is from Ranjit Gopal from HSBC Mutual Fund. Please go ahead.

Ranjit Gopal: I had a question on the FCCB loans. So, what is the date of maturity and if at all this unlocking in US subsidiary does not happen what will be our game plan for maturity of these loans?

Nishant Fadia: This matures on 13th of December of this year and we are obviously in active talks for debt or quasi-debt option also. We understand our priority is obviously to get this transaction done but as a Plan B we are in fact having conversations for debt and quasi debt option.

Ranjit Gopal: What will be the quantum as of now?

Nishant Fadia: Quantum of the FCCB is \$55 million.

Moderator Thank you. The next question is from KC Suri from Span Capital. Please go ahead.

KC Suri: Just a query about your CLEAR technology. We still are not clear as to how you go about billing for the same? Could you just narrate it with an example or something that helps us understand better?

Ramki: I will give you an example, here is a television channel which wants to manage its operations in say Turkey or Russia. This technology is used to deploy to manage their content operations. And that comprises of what are the work flows that we address underneath and what kind of activities need to be done depending on the volume of content, and how many such people are going to be participating from the television station on this work flows. So, this is essentially what makes it up, and the different vectors in which we potentially can address this. We have retained a fair amount of flexibility in the way we engage with our customers on this topic and in this case the way have structured it is that we take a per hour processing fee. So, a combination of technology platform is manifested in as a per hour fee. That is used because the client organizations really like the vectors we offer them and this again is the attractiveness that software as a service or platform as a service provides our customers that he is not paying a notional amount for technology, notwithstanding what is the need in the business. So, we are able to convert the technology cost into a transaction fee for them. In this case, it is a per hour fee. We have another engagement and I will give you a flavor where here she starts to pay by, and this is again akin to many cloud models where we actually process it by the amount of data. So it is in somewhere related that a number of hours of content to actual number of hours of content manifested, in terms of storage or in terms of data processed. So, we do have a mechanism where it is basically based on a per gig types of transaction fee. So that is the second vector in which we process it. We do have some vanilla models which are more user based, where some customers, if it is more used as a work flow and enterprise class platform where they are bringing their enterprise together at work, it is a very conventional IT model where we charge based on a per user basis. So it is per user, per month type basis.

KC Suri: And right now, out of the current revenues coming from the CLEAR model, how are they split in these few vectors?

Ramki: Actually, if you look at it, the transaction model as a function of the content is about 60-65% of the way we engage and another 15 to 20% is based on the quantum of data that we process and about 10%-odd is basically on a user basis. And again this mix is something that will change over the next two years depending upon the way we are pursuing it. So, as our platforms become more and more popular, we had originally built this technology platform for automating our factories but over time the technology becomes so attractive for the customers that they want to use it, devoid of whether they use our factory or not. So, as the percentage of adoption of the technology platform increases, we do see the mix changing, but again, I think the beauty about it is at the moment they have their work flows part on our technology platform, it naturally lends ourselves to get services business as well which is the original idea.

KC Suri: And in terms of the second vector in terms of work flow or the quantum of data process, which works out more effectively to the consumer in terms of cost effective way? Because it would hold a certain minutes of data to it.

Ramki: Correct. Again, we think that both of these models will continue to be applicable for different sets of customers. I think the way we look at it is that it is just that the preference they retain depending upon their predictability on the type of transaction and the transaction volume that our customers have in mind. And like I said I think because it is a technology platform that standalone works on its own as well as in conjunction with a human capital led service, I think the concoction really makes it interesting. I think what makes the competitiveness for our customer is that we are able to move the work back to India. And I think that technology plus the global delivery model makes the transaction cost attractive to the customers and that is what increases the scale.

KC Suri: Like you said Star is your biggest client on this, they book your channels, they have multiple channels and I believe all of them would be supposedly using CLEAR technology, so you will have multiple revenues streams from the Star Group per se, right?

Ramki: That is correct.

KC Suri: And in the sense when you manage the whole thing, essentially, have you laid out a dedicated backbone or data center for the same or how does it work. What has been our investment for the development of this platform?

Ramki: I think we obviously have data centers just not in Mumbai, we have data centers around the world. When I say we have data centers, we have actually co-located our infrastructure in Grade III technology centers, data centers around the world so that they are highly available and secure. And as a matter of fact, and I say this suddenly, I look like a Telco which I am not. So, your question is very valid that we obviously have our technology so to running of data centers and because of the fact that we are a digital media supply chain in ourselves, in which we connect the ecosystem together on a network and the technology platforms used to manage the business operations or the content logistics of the work flows amongst the ecosystem. So, it has a very heavy dependency on infrastructure in a data center and our offices and the ecosystems offices.

KC Suri: What have been our costs of development of this ecosystem?

Ramki: The cost of the ecosystem is again a function of the fact that in places like India we may have spent a little more than we would have spent in London because the fact that there are private networks that are already there in place for a homogenous set of customers within an industry, place like London, whereas in India is that those did not exist. So, Prime Focus Technologies pioneered creation of that private network of the ecosystem. So to that extent we may have spent a little more than otherwise. But I think that too was strategic because it actually creates the stickiness and an entry barrier for competition to come in. But to answer your question I think

about \$5 million to \$6 million of investments that has gone into kind of building the technology platform over the last few years.

KC Suri: It would not have been a replacement to an existing onsite model, right, so who would be your competitor, is there any one else with the similar product or you have replaced an existing product?

Ramki: A very good question. I think one is we have also entered the marketplace at the time when there is a fundamental technology change that has happened in the industry and they are moving from what is the conventional physical media based work flow to a digital media or file based work flow. So naturally, it is an opportune that there is still gap within the customers and the fact that because it is files now you need a technology platform to manage. So many of them fundamentally may have been to in-house operations that are now replaced by using technology and/or because it was still ad hoc sort services model by a loose set of suppliers that they mix and match from time to time. Because of a technology platform they consolidated those services on to one vendor. So, we may have replaced a number of smaller competitors, if we will or we may have replaced some in-house groups in the context of how they would get their work done.

KC Suri: But there was no third-party consolidator of services who are servicing these channels?

Ramki: Not quite, because none of them had a technology platform that was ready to go. And I think like I said, this whole things sparked off on the back of a technological change and hence the technology lead the whole thing with it. And globally, I think there are a lot of people are trying to do what we have done and when I say we are the most established hybrid cloud platform, 150,000 hours again a fairly significant number and others are obviously trying to work their way up.

KC Suri: But there must have been other players who would have tried to latch on the me-too bandwagon following your success. Pardon my ignorance about this aspect of the business but are there any such players who try to mimic your model?

Ramki: Absolutely. I think some of our traditional Prime Focus customers, some of the big names all want to do something like this. And interestingly enough, telecom companies want to mimic our model because from their perspective it is looked at as if it will light up their fiber, light up their DOC fiber because they are dealing with a lot of data, and you move the big data over a network. So, a couple of telecom companies worldwide have tried it. British Telecom has tried it, they have failed, Verizon business in the US are trying, making an announcement that they are investing fair bit of money in an opportunity like this. And I think these are the two guys that are obviously, trying to build a technology and trying and follow this marketplace.

Moderator Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Nishant Fadia: Thanks, everybody for coming on the call and taking the time. If you have any questions whatsoever please feel free to reach out to us, Ramki or myself, and we will be more than happy to answer any questions you may have.

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