



“Digikore Studios Limited
H1 FY25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to H1 FY25 Earnings Conference call of Digikore Studios Limited hosted by Kirin Advisors. 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 an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandini Chande from Kirin Advisors. Thank you and go ahead please.

Chandini Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the Conference Call of Digikore Studios Limited. From management team, we have Mr. Abhishek More, Managing Director, Ms. Surekha, CFO, Mr. Sanjay, Group CFO, Mrs. Heny, Company Secretary and Compliance Officer. Now I hand over the call to Mr. Abhishek More.

Abhishek More: Thank you, Chandini. Good afternoon, everyone, and welcome to the Earnings Call for Digikore Studios Limited. As you all know, Digikore is into visual effects for film and television and very recently last year, we started off our branded content division, which is also contributing now to our revenues already. The new platform that we've launched in AI and which we - some of them we've launched and some which we are launching very, very soon is what we are really, really excited about because these are all B2C platforms.

In fact, we have the launch and demo of one of our music platforms, which is the first of its kind in India on Friday. And it is a platform where we anticipate lakhs of users globally to be able to generate songs for their loved ones and the click of a button everything under five minutes. We're already getting excellent response even before we launched the platform. We've gotten almost 25 dealer/franchise inquiries for the platform.

And we anticipate our AI platforms to generate not only the top line, but also contribute significantly to our bottom lines, not from next year, but as early as the last quarter of this financial year. So this is a brief on where we stand. The visual effects industry is slowly creeping back to normalcy which is a great sign for us. We have started work on several projects. We have tons of projects in the horizon where we've received soft confirmation from our clients, some of them starting in December, some of them starting in January, some of them starting in February.

Cumulatively, if I were to look at it which I have the numbers right in front of me, we have a business pipeline of approximately INR56 crores in visual effects to be delivered over the next 7 months to 8 months' time. And out of this, we are anticipating somewhere between INR25 crores to INR28 crores to be invoiced by March, because obviously invoicing happens on milestone based and certain invoicing happens only when the project gets over.

So that is on the visual effects side. We're looking at on a very conservative level INR25 crores to INR26 crores worth of invoicing by March. On the branded content side, on a very conservative side, we're looking at around INR20 crores of invoicing by March and on our AI

platform, we're looking at an invoicing of around INR5 crores by March. Keeping all this in mind and looking at what we've done in H1, obviously H1 was I would say weak. I wouldn't say flat. I would say weak because of the visual effects industry strikes.

The work is just picking up now. And as you can see from the numbers I just told you, based on the orders that we have ongoing, which is around INR8 crores worth of visual effects work in progress and the new business that we anticipate which is already production is over, or filming is towards its last stage. That's a great sign for us when the filming is in the last stage, and we know that the only thing left is editing before it moves on to the visual effects.

So all these projects are projects where the filming is either just got over and it's in editing or the filming is in the last stage, and we'll go into editing maybe in December and then the visual effects starts in January. So things are looking bright. It has been a slow 6 months to 8 months, unfortunately beyond our control because that was by external factors which was the strike in Los Angeles, Hollywood last year, but the good sign is that things are getting back. That's all from my side for the time being and yes, open to any Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We'll take a first question from the line of Jishan Singhi from Krijuna Research And Analytics. Please go ahead.

Jishan Singhi: Sir first of all, I would like to ask on the branded content platform that how it is contributing today in your revenue and second my question is with respect to that virtual production sets.

Abhishek More: Sorry, the?

Jishan Singhi: First question, I would like to ask on the branded content platform that how much it is contributing to your revenue?

Abhishek More: So the branded content in H1, we did around INR5 crores, and H2 like I mentioned we are targeting around INR20 crores, anywhere between INR20 crores to INR25 crores in H2 for branded content. See, branded content actually, we would have done much more in H1 also, but our agreement with Jio because we cannot go ahead and sign up partners for that unless we have our back end agreement with Jio, which was supposed to get signed in June of this year, but because of their merger with Hotstar which we all know, they put all agreements on hold.

We could only sign the agreement with Jio mid-September. And then in the last 15 days, whatever quick agreements we could sign with the clients who had confirmed, we could manage. So we did around INR5 crores in H1 and H2 on a very conservative level, anywhere between INR20 crores to INR22 crores worth of agreements will get signed with our clients on that site.

I also heard the virtual production. When I say VFX I mean combination of VFX and virtual production. So as an example, one of the projects in this entire pipeline of INR56 crores that we have is a large Amazon project which is going to be approximately INR10 crores worth of virtual production work in that.

The whole movie is filmed on a virtual stage and all the assets for that are being developed by us. So when I say VFX, please assume that it's VT and VFX together. If you want me to break it up, I can, that's not a problem.

Jishan Singhi: Okay. So in the branding content, what would be the number of episodes that you're currently looking for?

Abhishek More: So we've signed up a deal for 58 episodes with Jio Cinema for up to March 24. So that is what that, and the total value of that is approximately INR30 crores.

Jishan Singhi: Okay. And on the VP Sets, does any big studio have contacted for that virtual production?

Abhishek More: For VP Sets, we have already installed and are already getting, not revenue from all, but our VP Sets platform is already installed at over 65 virtual production stages in the US, Canada, Singapore, Thailand, Korea, and UK. So we've already got 65 stages. So VP Sets is a B2B2C platform. It's not a B2C platform for us.

For us, our partner is on virtual production stage. So for us, it's technically written with B2B, then they go and give it to their partners. So our job is to increase our footprint in as many virtual production stages as we can. And yes, like I just said, we've got almost 65 places. We've been able to install this in the last 3 months, which is a huge number by itself. Our goal is to have cross 100 before the end of this year.

Jishan Singhi: Okay. So how much is our target for that by March?

Abhishek More: See, on VP Sets, I keep saying that we've not kept any revenue targets because it's a very new concept. It's never been done before. We're going to take it as it comes. We're going to analyse what we are doing till March. We haven't even added that in our revenue numbers for this financial year. We don't have any historical data. We don't have any data that we can say, okay, we are going to do so much. So we want to wait and watch for the next 3 months to 4 months before we give any projections for that for next year.

Jishan Singhi: Okay. Thank you so much.

Abhishek More: Thank you.

Moderator: Thank you. Next question is from the line of Dheeraj Kumar, an Individual Investor. Please go ahead.

Dheeraj Kumar: Thank you for taking my question. I would like to – so basically the projections for March 2025 were INR25 crores in VFX, INR20 crores in branded content and INR5 crores for AI which combined comes to INR50 crores. And if you combine the H1, H2 it is plus 27 which is INR77 crores, and it goes well beyond the projection of INR70 crores that the company had mentioned earlier in the last presentation. So I think we are really going the good way.

I would like to know if the other projections that the company has mentioned for FY26 which is INR125 crores and FY27 which is INR200 crores. Do we still stick to those projections, or do they look a bit difficult?

Abhishek More:

Right, Dheeraj. Thank you for your question. As of now, we don't see any challenges in our projections for FY25, 26, 27, or beyond. If our AI platform, which we are very confident – like I said, we are launching our AI platform on Friday and I urge all of you on this call to definitely attend that, because I can only tell you one thing. If there is something that's going to blow your mind it's this platform.

This platform, we are very, very confident and this could make all these numbers look like – they could make all these numbers our AI platforms. They are B2C. We have full control on it. We have full marketing and publicity control. We have a full marketing funnel that we've set up, which is with the best of the best marketing teams and digital marketing teams in India.

So, like I said in the last – we just launched, soft-launched a partner program for this, where people invest INR10 lakhs to become a partner with us for this platform and they can create a white-label platform for themselves. We are sitting on almost 25 inquiries in the last two days for that.

Our goal in the next 3 months is to have around 50 such partners. The music and our AI team – why AI? Let's get back to why AI. I keep talking about a term which I like – pivot or perish. Whether we like it or not AI – forget the VFX industry. AI is going to more or less disrupt every service industry, whether you're a lawyer, whether you're an accountant, whether you're into visual effects, whether you're into filmmaking because we are the ones doing it. We are the ones who've created one of the best AI teams in India, and every day we get scared after some of the possibilities of AI.

If we do not pivot into creating platforms which are in AI, and we remain purely as a VFX service provider, I honestly don't see the company going beyond 3 years' time. A company that's been built with sweat and blood over 24 years, the idea from a promoter has to be that the company has to deliver long-term returns to its promoters and investors always. We see our AI platforms that we are generating.

So as an example, iPod is the reason why Apple is there today. If Apple did not think beyond their Mac and created the iPod, they wouldn't be there today. Today, the Mac contribute to less than 8% of Apple's revenues. It is all your new-age technologies and new-age devices that have made Apple into what it is today. So we want to stay ahead of the curve. We are looking at creating all these platforms and honestly, once these platforms take off, all these numbers we would have to just re-change and these numbers will be dropped to a very large extent.

Dheeraj Kumar:

Yes, totally agree with you. That was my next question because AI is disrupting all the industries. And VFX being an outsourced industry, if AI could do the job that we are doing, there's no reason for the clients to outsource their job to us in India. So I really like your approach of going forward with innovation and following the future trend. And that has led me to keep or in fact

increase the confidence in the company and the management. Good luck for you and thank you very much for clarifying?

Abhishek More: I'm surprised to know one thing. I think Digikore today is probably the only or among the just two or three VFX Studios in the world who have a full-fledged AI team in-house. We are creating the tools to disrupt VFX. We are creating tools that will automate visual effects processes, not only for us, but for other VFX studios as well because if we don't do it, somebody else will. So rather than be a follower, we want to be a leader in that.

Dheeraj Kumar: Indeed. What is the revenue share that we are looking at? It shouldn't be precise revenue share, we're looking through these AI tools in maybe, let's say, 2 years or 3 years from now?

Abhishek More: I'm going to tell you a statement right now which may offend some people out here but may not. In 3 years' time, if somebody asks me what is Digikore, I might just tell you it's a technology company, because we'll be going technology first. Like I said, I just gave you a figure of Apple. In the 1990s, when you asked Apple, what is your product, they would have said we are an iMac. We make iMac.

Today, they don't even talk iMacs, because iMac contributes to less than 8% of their revenue. Time will tell. Our AI products, they are extremely positive. We are doing some ground-breaking research and creating some future forward technologies time will say what this will contribute to our revenues.

Dheeraj Kumar: Thank you very much and good luck for the future.

Abhishek More: Thank you Dheeraj.

Moderator: Thank you. We'll take our next question from the line of Ronil Dalal from Ficom Family Office. Please go ahead.

Ronil Dalal: Good morning. My first question is that receivable days have increased quite a bit around 70% or so half yearly to around INR41 crores and we were expecting this number to normalize somewhat, but it has moved up. So any kind of comment on this and any concrete steps which are taking place right now to recover the receivables?

Abhishek More: Yes. Absolutely. Thank you for joining the call. So, I'll tell you what it is. I'll give you a little background to this whole story. So, if you are in the IT industry or any other industry, you have a set of probably 5,000, 10,000, or 20,000 clients that you can reach out to. If one client doesn't pay, you just say I don't want to work with this client any longer. The unfortunate truth of the VFX industry for companies based in India and depend a lot on outsourced work, which we are changing now because as digital progresses, we are climbing up the value chain with our Canadian operations.

And most of the future revenue that I've shown you, the majority of that is direct work and not outsourced, but the minute you talk outsourced work, our entire universe revolves around maybe 100 clients to 150 clients, out of which 15 or 20 are the really big fish who give INR3 crores to

INR10 crores worth to VFX studios in India. And obviously, we have excellent relationships with these 15 or 20 of the big fish that have been there.

When the strikes just got over, that was in November last year, there were lots of projects which were in various stages of production. Some had just about started which shut down, some were in mid the shooting shut down midway, out of eight episodes, one episode or two episodes was left, but they had to shut down.

So as the strikes opened in January, the work that came in, it came up with a rider that what, Abhishek, let's say I have a book this client, let's call him Mr. A, hypothetically, who gives us INR5 crores to INR7 crores worth of business. And every VFX studio in India is after them to get work from them.

What Abhishek, we've been through 8 months of torture. We have unpaid salaries over the last 8 months because there was a strike. We did not pay salaries. COVID situation, similarly. We have bank loans that have piled up. We have all our expenses that have piled up. This is a project that's coming. We are going to get our monies over a period of time because the project has just started. If you want to take this, you know, it's going to take a while for payments.

So either you can say no or take it. At that point, if you told them no, trust me we would have lost that INR5 crores client forever because then they would have gone to some other person and then that person takes that client literally forever. And we don't have the luxury of 200 or 300 or 500 such clients if they went then I have somebody else. We did take up this project at that time. And knowing very well that the payments are going to take time. Obviously, because we needed, we couldn't let that client go away.

We started receiving payments, but to be very honest, most of these people have just started sort of semi normalizing their cash flows. We do anticipate a majority of these collections to happen over the next 4 months to 6 months' time. This is something which we have been through once already post COVID. When COVID also filming was shut for almost 7 months to 8 months. So this cycle is not new to us. We have been through the cycle.

These are the trusted clients of ours who we've been working with for 5 years, 7 years, some of them 10 years. So we don't have an issue with their payment. So it's not that we've taken a business risk. It was a strategic decision that we had to take.

Ronil Dalal:

Right. Thank you for explaining that. My second question is that earlier. So earlier we had kind of and also the beginning of the call, you said that INR150 crores and INR200 crores, 26 and 27. However, the presentation, which was released on 24th October the number was revised down to INR125 crores. So I just want to clarify. So one is the revenue part and the second is the EBITDA margin.

Similarly, the guidance is 30% to 35% in the VFX EBITDA margin and branded content, 40%. But on a blended basis we're right now somewhere near 21%. So both these things together, so the revenue as well as the margin. So what do you have to say about this? Any kind of

commentary on this or what is your expectation and is the number 125 or is it 150, which you said earlier in this call?

Abhishek More:

No, it is 125. That is why we released that revised projections a month ago, maybe. The revised projections for FY26 is 125. Obviously, we are best, we take every endeavour to try to beat that as far as possible. Talking about the margin right now like I said, we set up our teams in North America. We started setting up post-IPO in December, January, February. Most of the projects that you heard about these numbers of INR25 crores and INR30 crores and almost a pipeline of INR56 crores worth of projects which have been soft gotten by them because of their good offices at Amazon and Netflix and CBS and all of that.

But these projects, majority of them went into filming in January, February, March. They're finishing filming now. They're coming on to the board in between December, January. Our margins in the last 6 months have taken a hit because of this added cost in North America and these people don't come cheap. We are spending close to a little over a INR1.5 crores salaries in North America currently.

With little more revenue out there, so that is affecting our current margin, but as these projects begin, we normalize to our regular PAT margins which we've always anticipated of between 18% to 20%.

Ronil Dalal:

Right. And is there any reason that the guidance from like, just from around August, we have moved from INR150 crores back to around INR125 crores it's been devised downwards?

Abhishek More:

Yes, I will tell you. We have seen trends which we've been learning as we progress that Netflix, Amazon, Disney, CDs, they are all cutting down on their projects a little. It's not the same way it was in 2022 or the early 2023 when average when Netflix was spending USD15 billion a year on content. As for the latest news figures that we've got and after speaking to some senior people at Netflix, they are all cutting down on their content spent slightly for 2025, the calendar year 2025.

So keeping all that in mind, so today if my end client is only going to reduce their spend, either I go really aggressive and take a bigger piece of the pie. If I had X market share, I'd get more market share, which is also great, which is also what we're trying, but to be on a conservative level, because of their spend reducing, we anticipate that the volume of VFX will also reduce. So that is why we have realigned our numbers, but I'm pretty confident now with the new AI technologies and the new AI platforms we are launching.

So AI platforms will actually more than the top line, they will contribute more to the bottom line because in all our AI platforms, we work with margins of anywhere between 60% to 80%, because it's finally just a digital product and there's only a digital cost of delivery. It's not a physical product or manpower required to deliver that product. So all our digital products will contribute substantially to our PAT margins rather than top line.

Ronil Dalal:

Right. And the other thing is that on the employee, so two things. One is that the expansion August around August, around that time, we were expecting the recovery to take place in the

next 3 months to 4 months. So maybe somewhere around December. We had also mentioned that we might have to expand our workforce from 350 to 500 in December. So I'm assuming that has been pushed out a few months. So could you please just clarify on the same?

Abhishek More: The 350 to 500, it will happen somewhere between December and January. It depends on how many projects of these which I've spoken about, come together at the same time. If they are spread, if the December projects are, it's not that when VFX shots comes, you get suddenly 1,000 shots together. They will start sending shots in batches.

If I have two or three or four projects starting in December, then yes, we have to increase our workforce in December itself. But yes, between December and February, we will definitely see our workforce going up to at least 500 people, based on the projects that we have in hand.

Ronil Dalal: And the other part, which was the recovery, how do you expect the second half of the year to go?

Abhishek More: So, yes, like I mentioned just sometime back also, we expect most of the recovery, majority of the recoveries to happen over the next 4 months to 6 months' time.

Ronil Dalal: I have one final suggestion actually.

Abhishek More: We are actually in a very precarious time of the year, unfortunately, which is the truth that we all have to live with. Thanksgiving, I don't know if any of you have been to the US market or European market. After Thanksgiving, it's like a vacation period for the American markets. The Thanksgiving is now it will be next week. Once Thanksgiving is done and then they get into Christmas, New Year mode and production gets slow, communication goes slow and all of that. Maybe till December end, it's going to be a little challenging on the recovery, but I do anticipate a fast-paced recovery from January onwards.

Ronil Dalal: Sure. I have one final suggestion actually. So, like a lot of - there has been some delays in the entire VFX industry because of the recovery, but we report numbers only half yearly. So, I would just request that in case there is any major change in either the economic environment, the order environment or any changes which are major changes according to you. If investors could be updated about those as and when they happen or maybe with like as an update on the BSE or NSE, then that would be quite well appreciated like a profit warning on how you have ordered win?

Abhishek More: I think that's a great suggestion. I'm requesting our CS Heny to please make a note of that. And I think it's really nice. Everybody should be informed on a monthly basis; I believe on what's happening and we'll try to make this a practice of giving an update on if possible on a monthly basis on the happenings with Digikore and what has happened and what we foresee. If they are any changes, growth, degrowth, focus, whatever. I think it's a great suggestion, Ronil. Thank you so much.

Ronil Dalal: Sure. Thank you so much for patiently answering all my questions and taking my suggestions. Thank you. All the best.

Moderator: Thank you. We'll take our next question from the line of Yashwanti from Kojin Finvest. Please go ahead.

Yashwanti: Thank you, sir, for the opportunity and a congratulations for the great development happening at the company side. My first question is we have taken on board a couple of like Mr. David, Ms. Jensen and now Ms. Scott and Ms. Tara. So how it has helped us to develop a new business post Tara? Ms. Tara is a recent addition to the board, coming with a great experience, but our past experience with Mr. David, Mr. Jensen, and Ms. Scott, how it has helped us to develop a new business and new market, along with getting new contracts from them?

Abhishek More: Absolutely, Yashwanti. Today, we are sitting on approximately, like I said again INR56 crores worth of work in hand. Out of this, if I'm just going to break this, I'm going to break this up into 14, maybe around INR16 crores worth of this INR56 crores from our existing clients, which are our outsource partners, who outsource work to us and the remaining INR41 crores-odd work that is going to be starting is all the efforts of Jason, David, and Marina.

Because these are all direct projects from Amazon, from Hulu. One Piece is Netflix's star show, which we've already signed the NDAs and started the paperwork on One Piece. One Piece is one of Netflix's biggest shows. Marina is right now working on one of the Duffer Brothers shows, which Duffer Brothers is the one who produced stranger things. So we loaned out Marina into that show as a VFX producer.

That show, by itself, has a VFX budget of close to USD50 million. Obviously, we won't get a lot of that, but yes our person, with permission from Netflix, in fact, it's a very amazing situation that with permission from Netflix, Marina, who yet works for Digikore has been loaned out to Duffer Brothers as VFX producer on a Netflix show. So that gives us a great front-row entry, because our person is the VFX producer on that show.

Yashwanti: Right. That's a good survey of branding.

Abhishek More: Exactly. So we've taken all these strategic steps. Scott is really a consultant who adds tremendous value. So I'll give you a background of Scott. Scott is the grandfather of the visual effects industry worldwide. He was the founder of digital domain, which is one of the largest VFX studios in the world today. His partner was James Cameron. So Scott and James started digital domain in the early 90s.

Scott is like having Sachin Tendulkar coach your cricket team in simple words. So Scott brings in tremendous value. Scott brings in tremendous connects into Digikore and he adds great value to what we do. Tara has been Managing Director of a VFX studio in Montreal. She ran the studio as the Managing Director for 4 years and now she comes in as Vice President of America for us. Again, extremely well-networked in the industry. So we are building up a rock-solid team in North America. And we do believe that this team has the capability to take this company to becoming a USD100 million company in the next 3 years to 4 years' time.

Yashwanti: Any further acquisition on the industry veteran on the board? Are you planning for that or you wanted to first run the show with this veteran on the board and how is the things going you are strategies, of course, going for the future?

Abhishek More: Yes, so we don't have any acquisition plans in the immediate horizon. I believe that acquisition when you acquire something, there should be intrinsic value in that, in terms of either captive clients or technology. We don't foresee any VFX studio right now who is worth acquiring, who brings in intrinsic value.

See, otherwise, if I had to pay, let's say, USD5, USD10, USD15, USD20 million to an owner of a company just to take that brand name, there is no point. I can just pick up their top three marketing people and I reach there. So there is no intrinsic value that we see currently. There could be, there could be an opportunity that comes, but currently, we don't foresee an acquisition at Digikore for sure.

Yashwanti: And currently from our three business verticals that is the visual effects, virtual production and the branded current. Currently, I believe the visual effects is the highest contributor, but going forward, what are your plans for these three verticals? Where do you want it to focus and how are the margins for each of these segments?

Abhishek More: See, going forward, obviously the cash cow for us will be branded content in our AI platforms. Why? Because they are products that are owned by us. When you own IP, when you own copyright, when you create your own products, they keep giving you revenue again and again on that same investment. VFX is a service. So a service is you get a one-time revenue and that's about it.

So on VFX, as far as nothing changes crazy in the industry, we do plan to stick around those margins of anywhere between 30% to 40% EBITDA levels. Because I'll tell you the situation right now, what happened the last 6 months. People were high and dry; people did not have work. So earlier we used to get, let's say, USD100 for something. Somebody went in and quoted USD90.

So the client said I'm getting this at USD90. Do you want to do it or no? So then we had to say yes. So the margins shrunk a little in the last 6 months to 8 months because there was a completely dry spell for everyone for the last 12 months. So VFX is something which is not majorly in our control, the margins. It is very market-driven, very external factors driven. In branded content, in our AI platform, in VP sets, the margins are completely in our control. So we will always enjoy much better margins in these divisions compared to visual effects service.

Yashwanti: And what kind of a margin we enjoy, sir, in the branded and AI content?

Abhishek More: See, branded content, we typically start off the show with approximately a 35% to 40% EBITDA margin. But since we own the content and after it goes on Jio Cinema, then the content goes on our YouTube platform. And now we've just tied up with In-flight Entertainment. We are speaking to Vodafone to put it on their platform.

So all these things are giving us recurring revenue. Now on our YouTube channel, over the next 5 years, another 100 million or 10 million people have seen that same episode. I get advertising revenue out of that. So that is why I say that content gives us revenue in perpetuity. So today, if I'm getting a 35% or 40% EBITDA on a branded content show that I produced in this financial year, after the fifth year if you see have probably earned 300% or 400% margin on the same content.

Yashwanti:

And sir, right now we are hiring the people, we are adding them to the board, but then as you have just mentioned, because of the strike and whatever the international issue which has happened, which has increased the receivable days, lowered the pressure on the margin. So are we also planning to add these senior people who are there, but not at the board level or not at the industry veteran level, but at the senior level, who are without a job, they have to agree upon the lesser pace. So are we also having strategies to get them in the company to capitalize on their experience, their contacts?

Abhishek More:

Oh, yes. Let me take an example of this Hulu project that I spoke to. That project has to be done in Canada because of the tax credit reasons. That project will be executed in Montreal at our studio there. So at that point, once the project starts, we'll be hiring not only a production team, but a mid-management team as well in Canada for this projects and other projects that are going to come out there.

The idea of having a Canadian entity was a lot of projects of Netflix and Amazon and Disney, they are made on the principle of tax credits from their engines and the work has to happen there. So the Hulu project is approximately a INR15 crores project by itself. So technically, why INR15 crores because if it was done in India, it would really be a INR1.5 crores, INR2 crores project, but just because it has to be done in Canada, the value increases substantially on our books.

Yashwanti:

In that case, now as you're talking about the subsidies or the lots of tax benefit which we get, if we create this content in Canada, even some months back, even the Indian government has given a lot of facilities, lots of incentives for the VFX industry to grow up at the India level. So how are we capitalizing on this and can we bang any contract, or can we see this differential where you can compete with the international where we are having a base in India?

Abhishek More:

Absolutely, we are already doing that. So the thing out here is that every project does not qualify for the tax rebate from India. So the Indian government has kept a rider out here that the project has to be a minimum value of INR1.5 crores and only then you can apply for the tax rebate. In our outsourced work that we've been doing so far, it's rare that one project is of this value. It does not work per client. This works per project.

Now, when we start working directly on a One Piece or The Last of Us or the Star Trek series that we are starting on, that is when we make use of this rebate from the Indian government. Then again, there are certain projects like the Hulu project, which I just again mentioned, its filming was done in Canada and then Netflix has certain commitments to certain governments which they have given in terms of the spend that they have to do out there.

So while they know that if they actually do this project in India, they will actually do it at less than half the cost, but they have to do it in Canada for certain commitment reasons of theirs. And that is why we are sitting there in Montreal to help them execute it there.

Yashwanti: Sir with the current project in hand, sorry if you had already answered, I'm repeating this question. What kind of, I mean, where we can - what is the expected timeline to complete it? Is it getting covered in the FY25 itself that is H2 FY25 ?

Abhishek More: No, we don't compare with FY25. We have around INR55 crores, INR56 crores worth of projects in hand on the VFX side of it. Out of which around INR25 crores, INR26 crores will get invoiced in FY25 because we will start these projects only December, January. They will go on for 6 months, 7 months some of them.

We will be doing milestone-based billing that means a certain maybe 15%, 20% on advance, some portion once certain number of shots are delivered. So we don't anticipate this entire pipeline to be at INR56 crores to be delivered before 31st March. It's not technically possible.

Yashwanti: Okay. So, and anything, any contract here standing with the Indian Production House? Is it viable? Is it good from the profitability perspective or your focus will be always on the international project?

Abhishek More: No, as a principle, we don't work in Bollywood unless the project comes up with a 35%, 40% margin, which no Bollywood project or South project has, honestly. They all work on margins of 10% to 15%. We don't want to get in the market because once we get in there our bottom lines will shrink tremendously, which we don't want that to happen.

Yashwanti: Okay. And what is your current attrition rate and average salary which we pay to our specialized cfs?

Abhishek More: Ma'am the last 4 months, I'm proud to tell you, we had literally zero attrition because here people don't have jobs in the industry. So anybody who has a job, it's worth its weight in gold. Nobody's leaving right now, but yes once hiring starts December, January there will be attrition.

Yashwanti: Okay. And any plans for yourself on adding the client talent pool towards it for the second half of the current year? I mean, for the rest of the 5 months, 4 months?

Abhishek More: Adding new clients is a constant process. So it's not something that we have plans for that is a certain roles that have been given to certain people. Business developing people have targets that they have to achieve in terms of onboarding new clients or getting more revenue from existing clients. So, yes, it's a part and parcel of our business or any business if you add new projects and new clients.

Yashwanti: And I'll take one more opportunity to answer the last question. How are our receivable days?

Abhishek More: So like I just answered recently, the last 6 months, 7 months have been a little tough for everyone in the industry, including us, but now with the new project that we signed or signing and the

direct project clearly we just finished off the Star Trek movie that we finished off. Now, the receivable days were absolutely okay because we were dealing directly with CBS on that.

What really sucks is the past receivable days of the outsourced work that we've received. Clients continue to give us work thankfully, but don't continue to give us the payment on time because they are in trouble. And we know that. We feel that for them because they are in the same boat as them. We do anticipate over the next 4 months to 6 months, the majority of our receivables should get realized. Yes, that's the situation currently.

Yashwanti: In FY26 comparatively you foresee as a veteran as well as the receivable days are the working capital prospect?

Abhishek More: 200% because in FY26, while we had initially planned that FY26, 50% of our revenue will be outsourced and 50% direct. We anticipate more of it to be direct. The minute you go into the direct project and direct revenue league, your receivable days become much more comfortable compared to outsource because when you work with outsource, when the outsource vendor first gets the money from their client, then if they have some cash flow situation, they will hold it back. It's like a vendor payment and they are like kings.

If you chase them too much for money, they'll say I've got so many other vendors in India dying for my business. Why should I give it to you? And they say okay we're stopping to work, stopping work with you. So the minute as we progress and which we foresee, we are already doing that to direct work that improves our cash flow substantially.

Yashwanti: Okay. Thank you so much, sir. I wish you all the best.

Abhishek More: Thank you, ma'am.

Moderator: Thank you. As there are no further questions, I now hand over the call to Chandini Chande from Kirin Advisors. Over to you.

Chandini Chande: Thank you, everyone for joining the conference call of Digikore Studios Limited. If you have any queries, you can write to us at research at kirinadvisors.com. Once again, thank you for joining the conference. Thank you sir. Thank you team.

Abhishek More: Thank you, everyone. And we look forward to your support as we grow this company into a global VFX and technology powerhouse and look forward to our next call soon. Thank you.

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