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Sub: Transcript of Analysts/ Investors Earnings Conference Call for the half year ended September 30,2024 held on 14th November 2024, pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the Transcript of analysts / investors Earning Conference Call conducted on 14th November 2024 at 06:00 PM to discuss the Company's performance for the half year ended 30th September 2024.

You are requested to take the above information on record.

Thanking You

Yours faithfully,

For Basilic Fly Studio Limited

Swati Sharma
Company Secretary & Compliance Officer
A54158

Encl: Transcript of Earnings Call



“Basilic Fly Studio Limited H1 FY-25 Earnings Conference Call”

November 14, 2024



MANAGEMENT: **MR. BALAKRISHNAN R. – MANAGING DIRECTOR & CEO, BASILIC FLY STUDIO LIMITED**
MRS. YOGA LAKSHMI – PRESIDENT OF BUSINESS STRATEGY & WHOLE-TIME DIRECTOR, BASILIC FLY STUDIO LIMITED
MR. PRABHAKAR – HEAD OF STUDIO & WHOLE-TIME DIRECTOR, BASILIC FLY STUDIO LIMITED
MR. GAURAV MEHRA – CHIEF FINANCIAL OFFICER, BASILIC FLY STUDIO LIMITED
MS. SWATI SHARMA – COMPANY SECRETARY, BASILIC FLY STUDIO LIMITED

MODERATOR: **MS. CHANDNI CHANDE – KIRIN ADVISORS**



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Moderator: Ladies and gentlemen good day and welcome to Basilic Fly Studio Limited H1FY25 Earnings Conference Call hosted by Kirin Advisors.

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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you mam.

Chandni Chande: Thank you. On the behalf of Kirin Advisors, I welcome you all to the Conference Call of Basilic Fly Studio Limited.

From Management Team, we have Mr. Balakrishnan – Managing Director and CEO, Mrs. Yogalakshmi – President of Business Strategy and Whole-Time Director, Mr. Prabhakar – Head of Studio and Whole-Time Director, Mr. Gaurav Mehra – Chief Financial Officer and Ms. Swati Sharma – Company Secretary.

Now I hand over the call to Mr. Balakrishnan. Over to you sir.

Balakrishnan R.: Thank you Chandini and good evening, everyone and warm welcome to everyone for H1 FY25 earnings call of Basilic Fly.

Myself Balakrishnan, I would like to give a brief about the last 6 months how that gone out for the entire industry and for our company. As the industry is slowly and steadily recovering from the rate of strike and we have made a significant stride in the manner of acquiring a company called 'One of Us' in UK and likewise we have made some broad strides in the industry taking some other steps in terms of how we would move forward from here for the next financial year and for the future. Our step towards acquiring One of Us based out of UK and Paris would be a significant step in the last 6 months because it has really elevated our position in the industry, not only as a subcontract studio but also a full service VFX studio which becomes more perfect and positioned for the entire industry to look out for any VFX service. We are based out of India and One of Us based out of UK and Paris, brings in a lot of strategic proposition to the entire gamut of the service that we deliver UK incentives recently being improved from 25% to 29.8% and likewise the cap of 80% improved to 100% cap for any VFX spend that would be for any production that would make VFX spend **NGK 2.42** and like this for Paris with 30% tax incentive for any production spend of over €250K and likewise 40% tax incentive for any VFX spend which will be over €2 million likewise with a significant growth here in India and how we would be able to combine and collaborate and work to make more efficiency. This would really set up a platform for things that are coming out back from strike and we are here to answer any



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questions that you may have for the financial numbers. I will leave you to Gaurav to brief on the financial numbers.

Gaurav Mehra:

Thank you so much Bala and good evening, everyone and it's a pleasure and honor to connect with all of you for first Basilic earning call for Basilic Fly Studio Limited for first time from my side.

To provide an update on the numbers; so, if you've had the opportunity to review our financials, we recorded H1 FY25 net sales with a turnover of 75.48 crores. This includes the contribution from our recent acquisition One of Us, completed on 29th July, 2024. Excluding One of Us acquisition, our turnover for H1 FY25 stands at 39.8 crores compared to 49.6 crores of corresponding number H1 last year. We have a slight dip into the top line to the tune of the 15.7 crores year-over-year which is as Mr. Bala mentioned is the impact of the industry wide slowdown.

We have a strong pipeline ahead and we have also started seeing some positive vibes towards the end of the H1 FY25 in the month of August and September and we expect that the gap to be recovered or come up better compared to the last year number into Apple-to-apple comparison. We may move to next our total income, which was recorded as 77.34 crores. In terms of the EBITDA; our EBITDA stand for 18.68 crores. Our PBT stands for the 15.76 crores compared to PBT of 23.3 crores of the last H1 FY24. In terms of PAT; our number for H1 FY25 stands at 12.33 crores including the minority interest against the number of 18.9 crores of the H1 FY24.

If I talk about One of Us, for the total turnover of 39.8 crores, we achieved the PAT close to the range of the 5% in terms of the top line. That's largely on the numbers from the financials. We would be happy to take up any query from the investors. Thank you so much. Over to you Chandni.

Moderator:

Thank you very much sir. We will now begin the question-and-answer session. The first question is from Shikhar Mundra from Vivog Commercial Limited.

Shikhar Mundra:

How is the second half looking, what kind of order book do we have and what kind of revenues are we expecting for H2 that is for the combined entity One of Us as well as standalone Basilic?

Balakrishnan R.:

In terms of next year, the industry itself picking up from the next half and as we recently announced the kind of order book that we have for the remaining part of the year and we do some exciting projects lined up. Additionally, with One of Us we do have volume of around £20 million of work coming in. In BFS we are planning to take up 30% to 35% of the work from One of Us to execute it here in India. And likewise, we are also looking usually with the subcontract work also would come in light post that is in the next half and through which we would be able to execute more projects which is coming through the coming half.



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- Shikhar Mundra:** So, tell me how much are we expecting for H2?
- Balakrishnan R.:** H2, you mean the order book value?
- Shikhar Mundra:** The revenue, how much are we expecting?
- Balakrishnan R.:** We are looking at maybe 100% or more than the previous year of top line.
- Shikhar Mundra:** And I can understand I mean One of Us the margins are low because we have just bought it. So, But on a normalized basis what kind of margins can we expect from the One of Us business?
- Balakrishnan R.:** Our plan is to be very straightforward in terms of making it work with One of Us. Our plan is to implement our synergy plan by relocating 50 to 60 artists from One of Us to India. That is one thing. And apart from that the redundancy plan is something we have been working on for which we have done the first phase of redundancy before November and by next month, we have another phase of redundancy and so through which most of these could be delivered here in India and which we have started from September onwards. It is growing steadily and both our COO and the CFO are working towards this synergy plan and making sure they are working with the finance team and likewise the operation team out there to ensure how we meet these synergies on a timely manner. Maintaining that, synergy in the sense taking up 90% of one part of the discipline years to be completely delivered in India. And likewise, there are three different disciplines where we are planning to do 90% in India and one other discipline where it would be 30% to 50% in India for the next 6 months' time. So, that is where we have been working on at the moment. And from there we would be working towards other part of synergies as well as we grow together. And also, the recent tax incentive in favor of UK and Paris could really shift the balance from North America to Europe that is UK and Paris mainly. So, this would really help get more opportunities. If you take One of Us, they have done £29.3 million the last year. So, this new tax incentive would only maximize the opportunity and bring in new opportunity in terms of more new projects which is again would be filmed in UK would come down to the UK based company and One of Us being of highly repute with being there for (+20) years in the UK industry and likewise with Paris. So, this would bring. This would open up a lot more opportunities for us in the next coming years.
- Shikhar Mundra:** On the receivable front; our receivables have kind of ballooned up. I mean we were at 54 crores in receivables and now we are at 104 crores right. So, I can understand around 40 crores have come from One of Us because I can see the cash flows around 8.64 crores of increase in receivable entry. But even for the standalone business of India although our revenues have kind of declined this quarter but our receivables have kind of shot up. So, where are we on the receivable cycle on the collection front?
- Gaurav Mehra:** So, if I may take up that question. So, as you mentioned that there is a spike in our receivable which as Mr. Bala said is the impact of the writer strike where the collection has been slowed



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down. Having said that, we have as you said that, close to around 72 crores of the receivable in our standalone business, if we exclude One of Us. We do have the good collection so far after 30th September. We are working very actively to talk to the customer; to collect the money from the customer and we have a very sizable collection close to 20-22 crores which we have already materialized within such short period. We are also talking to the customer we might not be back immediately to earlier levels. It may take another couple of months or may drag up to the month of March. But we don't foresee any challenge in collectability of any of our dues. And we should be back on the track maybe by the end of the March or maybe the early of the April or May.

Shikhar Mundra: Are we confident of collecting like 100% by April-May?

Gaurav Mehra: As of now there is no alarming signals where we foresee any challenge on the collectibility as we said. But we have some aged one. It may take a time for more than sooner. We are working with the client so it may not come in full. A few of the clients may be talking about paying it on a repayment schedule and all so, we are talking about the different aspects. But as I said there is a good collection happen within the period after the 30th September. So, we are hopeful to get back on the track.

Shikhar Mundra: And can you give me a breakup of the 104 crores receivables? How much is less than 6 months and how much is more than 6 months? And in the meantime, like what kind of margins are we expecting for the second half? Because this first half our margins have dipped quite a lot. But I believe second half they should get back to normal. So, where are we on that front?

Gaurav Mehra: In terms of our collectibles, we have some pile-up in the 180 days and all, but the majority is within the 180 days period. So, we are right now in the kind of DSO of 120 to 150 around 150 to 180 days. That's from that the outstanding aging perspective. And what was your next question? Can you please repeat?

Shikhar Mundra: Margin we are expecting in H2.

Gaurav Mehra: It's hard to say the guideline on the margin, but as Mr. Bala mentioned, there are lot of positive factors which we expect to encash to a certain extent. Likewise, the industry wide incentive for India, as well as for the UK and France which should give some more synergies. As well as we are also looking into the cost optimizations with the visibility to the current pipeline. It's noteworthy to mention that in the current H1 FY25, we also had some expenses related to the acquisitions, which we cannot capitalize and which have been booked into our P&L. So, that also amounts to a dip in H1. We are hoping H2 will be better.

Shikhar Mundra: Can you quantify that? How much were those expenses?

Gaurav Mehra: No that's hard to say that forward looking number to quantify that.



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Shikhar Mundra: And one last question on the receivable. So, I mean do we have a principle that we collect all the payment and only then we handover the work or for some customers we make an exception like how does it work?

Gaurav Mehra: No. So, most of the collectible we relate to, we have hardly lost any of the customer on the material aspect. So, wherever we have the collectibles, the work is still going on, and those customers are retained with that, and new work is ongoing. So, we don't have any material customer which we might have lost, where we foresee discontinuation or any kind of challenge in collectability.

Shikhar Mundra: So, these receivables are getting stuck only because the movies are getting postponed, the release of the movies are getting postponed, is that understanding, correct?

Gaurav Mehra: Yes.

Balakrishnan R.: Maybe more than release, some of the movies have been kept on hold for a while. So, this is the main reason. Because the postproduction and the initiation of the new project have been kept on hold during that time, and even the project movement was kept on hold. It was start and stop during that time. So, it was mainly around that reason. The clients that we have been working on, some of these claims we have been working on for more than 5-6-7 years, and we have been continuously working with these clients and we have never had any problem in the previous year until the strike really happened. We didn't have any problems with any of these clients. We have looked at the kind of payment they have made in the previous years. It has always been on time and they have been very sad to us. So, to make sure that we retain this relationship with these clients, it has been very critical, even as a VFX company, to ensure that we kind of slowdown in terms of our request in terms of lease payment. So, that is where we will have to really work with our clients as well during this time, to ensure that we keep this relationship ongoing.

Moderator: Next question is from the line of Mayuresh M, an individual investor.

Mayuresh M: You said that the guidance for H2 FY25 will be double of H1 '25 or will it be twice of H2 '24?

Balakrishnan R.: It will be the twice of H2 FY24, the top line, the revenue the order that we have. It looks like we would be able to do it.

Mayuresh M: Which was 50 crores. So, you said that H2 '25 will be 100 crores.

Balakrishnan R.: Yes.

Mayuresh M: But from the presentation I see that the revenue of just One of Us is around £30 million which is around 300 crores. So, you mean to say that One of Us will not even make half of the revenue that it made last year?



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- Gaurav Mehra:** So, the 30 million you are reading from the presentation, that is from the earlier period when we acquired them. So, the current pipeline what we have shared stands at around close to the 20 million, which is kind of 220 crores on the annual business, considering the next 6 months. So, it may be in the range of, as Mr. Bala mentioned, close to 100 crores, as per the visibility on at this point in time. We expect our current run rate to continue and to improve partially into the H2. So, that's what we expect our number to be landing.
- Mayuresh M:** So, it could reach around 150 crores to 200 crores, wouldn't it?
- Gaurav Mehra:** Yes, likewise.
- Mayuresh M:** And may I know what is the total work pipeline on the consolidated basis as of today including BFS and One of Us?
- Balakrishnan R.:** You mean the project that we are working on at the moment?
- Gaurav Mehra:** Can you please repeat the question?
- Mayuresh M:** The current order book as of today, how much an unexecuted order book do you have for both the companies Basilic Fly Studio and One of Us?
- Gaurav Mehra:** So, it will be in the range of what we reported in March. So, generally our work in progress falls into the range of 15 to 20 crores. And the number what I'm saying also include the One of Us.
- Balakrishnan R.:** Yes. And also, we have successfully taken up many major projects from Amazon, Paramount and Netflix. We have been working on some of these major projects which have recently started and the ones which were started in October and November. These are the major projects which are set to release in March and June. So, we are working actively on those projects. These are typically top-tier projects, and we would be delivering these projects between March and May.
- Yogalakshmi:** And we have also given a press release of our order book. One of Us has an order book of around 20 million GBP.
- Balakrishnan R.:** And particularly we see.
- Mayuresh M:** October onwards yes.
- Mayuresh M:** Yes, One of Us has around 200 crores order book and then Basilic Fly Studio has around 24 crores order book. That's what.
- Balakrishnan R.:** When we say specifically about One of Us, our aspiration has always been from being predominantly been a subcontract company and our aspiration is mainly towards do more direct



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work. As we build or trying to build organically with One of Us coming into picture as an established company in the foray and likewise where they do our direct connections and direct orders of this kind of magnitude and where we can get to pitch in and jump in, not only for the sub-contract service work but also to direct service work as well from India. This gives us a lot more leverage to work on projects which would bring in more margin as well as good revenue from India and savings at One of Us.

Yogalakshmi: I would just like to add on that, we are working as a subcontract industry from India. We were working in that subcontract market. So, the order book tends to increase month by month. As of now we have visibility of 20 crores, and it will tend to improve as and when the month progresses.

Mayuresh M: And any idea how much could it be by the end of FY25?

Balakrishnan R.: So, typically we expect on a consolidated basis of over 200 crores top line is what we expect and as in we say...

Mayuresh M: How much more orders do you expect to get from today until March '25?

Balakrishnan R.: We are very well positioned in terms of getting new projects, either being UK and Paris and also like with North America, either both subcontract as well as the UK projects. The UK project as in all new projects that comes out of UK, predominantly being filmed in UK. We have very good established sales team and they keep working on and new projects are still being given green light and they are coming into post-production, steadily. We expect to have more of that coming in from January onwards because we have a lot of release scheduled for June-July summer. So, those movies we are targeting further and we are in very good active discussions as well which we would be able to provide more information the coming days.

Mayuresh M: The acquisition will certainly help us improve our pipeline. My last question is regarding artificial intelligence; artificial intelligence is disrupting many industries and especially in media industry you can see people making videos just by putting some data. And the intelligence system it generates videos all on itself. So, do we have any threat from artificial intelligence to our business and how are we positioned to counter it?

Balakrishnan R.: We are very well positioned as the group company, we have used advanced MI tools that is available in the market. Either be Comfy, Wonder Dynamics and Stable Diffusion for our internal needs. And it is predominantly for generative needs which we do for our internal purpose to generate concepts and other things that would be used for final product. But apart from that we do use AI for generally for automating our processes. More of process driven AI something that we use and also with our existing setup and likewise One of Us acquisition, we do now acquire not only asset of the business and the business from the One of Us but also the tools that they have developed over the years and also the digital assets that they have which would really



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be useful to us. And likewise, the tools that they have for some of the disciplines like 3D tracking which is more efficient. For example, it could save out of eight hours, it could save two hours for artists working hours for 3D tracking where they have enhance and where they have developed tools for 3D tracking particularly. And likewise, for some of assets and texturing work as well. So, those things we also get to use and also developing tools internal tools as well to automate certain areas. We have been continuously working on these areas with both our Indian team as well as London team with a good team of developers working.

Mayuresh M: My question is more from the client's perspective. Today the client is outsourcing the processes to us because it's more efficient for the client. They need more manpower to do these processes. And we have a skilled workforce in India. That's why they outsource it. But in future if artificial intelligence could help them reduce the work and do something which takes 10 hours today in 3 hours by using AI, I am afraid why would they outsource the work to us?

Balakrishnan R.: With AI there is always a challenge and as well as an opportunity. With AI some of these works have been streamlined and kind of sorted out in terms of how we can do it in much lesser hour. And also, there are increased number of opportunities which has come up either in case of de-aging and likewise in terms of lip sync. Where they do lip sync and in that case, there could be some skin deformation or some gaps in the skin area. So, those things are again coming up into visual effects work where these kind of AI enhancement and development can bring in more additional level of VFX work. But could have sorted out some other areas of VFX. So, it has increased in certain case of digital and other areas where it has increased VFX involvement and could have started out on certain areas. So, it has not really taken out the work entirely. It is not that way but it has created more opportunities in other words.

Moderator: Next question is from the line of Krupa Desai from Electrum Capital.

Krupa Desai: My question was that One of Us had 400 employees. So, how many of them have we retained?

Balakrishnan R.: Currently we have not renewed some of the contracts. So, we do have over 288 artists now with One of Us. And totally if you take globally, we have around just over 715 artists in global strength and we haven't renewed some of the contracts. And so, we have been directing those work to India. So, we are currently at 288 with One of Us, both across UK and Paris.

Krupa Desai: On the margin side, so currently our PAT margin is around 16% and EBITDA around 24%-25%. So, in H2 do we expect an up move or will it still like degrew further? Because we have a lot of projects mainly on the One of Us side compared to the Basilic slide, standalone basis.

Gaurav Mehra: As I mentioned in H1 FY25, we also have some kind of the one-off cost which was for the acquisition for One of Us which we have absorbed in this H1. So, probably that will be one uptake. And as Mr. Bala mentioned, there are opportunities to get incentives announced by the government. It is helping the two way, it is also helping to get more work to all the three primary



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market to the Indian market to the UK and to the France market. As well as it's giving the benefit on the cost side. So, that also help to improvise. Management is also taking the initiative on the cost optimization wherever the opportunity lies controlling the cost as well as looking into all the major cost components. So, putting this all together, as of now we don't expect any depletion into the given margin percentage, and we expect it to be slightly better compared to the existing one.

Moderator: Next question is from the line of Saurabh Jain, an individual investor.

Saurabh Jain: My first question is that, out of your 104 crores receivable, how much is above 6 months?

Gaurav Mehra: So, if I can answer your question into the two way, one out of that 104 crores for the larger part which is from the One of Us that largely fall under the period of the 180 days which is kind of the 40 crores out of this. Now coming to our standalone which is close to 73.8 crores or 74 crores. I mentioned in my earlier remarks that we got a very healthy collection happen after the September onward and we got close to 24 crores collected by now which is helping us to this. Having said that in the 74 crores close to 180 days and more that number largely is above the 50 crores. But what we have recovered is carrying a larger part of the old receivable as well. So, we had the aging going up, it started showing the positive trend in collectability, and we expect further improvement by the end of this quarter or next quarter.

Saurabh Jain: In general, what is the average time for realization of your receivables?

Gaurav Mehra: Largely our credit terms are on a 30 days contractual basis. And generally barring this industry impact, we got realization in close to 45 to 60 days timeframe. But that's the trend. Maybe Bala if you want to add.

Balakrishnan R.: Usually that has been the case over the last 10 years if you have to look at it apart from the strike period. This was a situation where the companies and the production houses were not prepared because of the strike. So, that is why things have been this way. But apart from that, it has been usually from the day we raise invoice this is to be 30 to 60 days. We get that payment and that is how it has been. But during the strike usually these production houses and VFX studios have globally particularly studios in North America and Europe kind of being put into a situation where they will have to manage the cost and everything. So, that is when they had to deal with the vendor. As a company, whom we do look at as a potential client there's a time that we also have to look in for a matter of competition and also to retain this relationship, we will have to put this. We'll have to have this acceptance for these clients as well to ensure and since we have worked with them for 5 to 6 years minimum time. So, it's an ongoing relationship with them and they have been really collectively fair for in terms of work that they have given to us in the last 5 to 6 years in terms of a loyalty or revenue. So, this is how it has been for the last 6-7 months particularly.



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Saurabh Jain: My next question is that the guidance you have given the 100% after H2 FY24. I'm expecting that 200 crores, you have told that the order book is of One of Us. So, majority of the revenue will come from the One of Us in the second half of the FY25. So, any margin guidance you would like to give for the One of Us or it will shoot up if we compare it with the first half?

Gaurav Mehra: With One of Us case we have been mentioned.

Saurabh Jain: Particularly for One of Us I am asking the margin part.

Balakrishnan R.: Definitely One of Us. If you particularly take the last two months of consolidation, we would be able to make it through synergy by having 50 to 60 artists currently working dedicatedly for One of Us. If you look at we eliminate 50 to 60 artists work from there. In that case the kind of savings that we do generate in One of Us. For example, if the salary is at 5,000 GBP for lower end work in One of Us which means for 50 to 60 employees, even if you take on expenses and other things on top of that it would be up to £400,000 to £500,000 per month. So, we're taking that directly to India. That kind of savings is what we have been looking at. It's a more of a straightforward approach and we have been working towards the synergy and we only see betterment in this process as we keep getting to work with One of Us and implementing the synergy plan more effective manner.

Moderator: Next question is from the line of Viraj Mahadevia from Moneygrow India.

Viraj Mahadevia: A couple of questions I had, Bala it seems like a large part of your order book is from One of Us. So, what has really gone wrong in Basilic Fly Studio standalone? Why are you not able to get a larger order book?

Balakrishnan R.: It is not generally the industry trend even if you look at either the companies like One of Us in the last 6 months things haven't been that really well based upon the slow recovery from the industry. Even though the strike got over last year and particularly the influence and impact of industry was mainly realized or as we have seen through around this between March and this July-August. So, that is where the slowness of production hasn't really picked up in the industry. So, that is where apart from that if you take Basilic Fly.

Viraj Mahadevia: Strike you have been talking about for over 15 months now, hasn't the strike ended?

Balakrishnan R.: Strike got over by October last year, but the slowness of the industry hasn't picked up even after the strike got over the last day that is October. We weren't really being impacted this much. Even the last earnings call we mentioned it would be like the first half would be quite slow because of influence based upon. Because the productions haven't really picked up. I think they haven't started. Even the bigger major productions haven't started production until this August or September. So, that is where the productions have really begun now. If you take even with North America the productions have been slow. Only with Europe the productions have begun. And if



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you look into, we can share those details as well about how many productions have started in UK particularly after this strike. Those were started only around July. Likewise with September and October still picking up and with the recent announcement of the UK government the productions are still moving out, still shifting to UK. So, that is where we see opportunity now. If you take last 6 months that have been the primary reason. It's not only us, it is entire industry have been affected because of the slowness in the production.

Viraj Mahadevia: That I understand Bala but we put out press releases in the last 6 months as a company to the exchange talking about all these productions you're working on. This is prior to One of Us. So, all put together is only worth 20 crores. 200 is from One of Us. 220 is your total number. So, your Basilic order book.

Balakrishnan R.: No, not at all. For example, it's not that we have been trying to be. At the moment we would like to keep the reservation of 100% more but we are not restricting ourselves to 20 crores. It's not something that we do see because even in the last in the recent first half we have done reasonably well, if you take considering the industry situation. That would only get to better in the sense things have really picked up even with One of Us. If you take the revenue of the first 6 months have been very relatively low compared to what they have achieved in the last previous years. So, the industry has picked up and we are looking at more surge in the orders and we have been highlighting more about One of Us because we would be taking up 30% to 35% of the work from One of Us to be executed in India. And apart from that we are also very confident about the work that we have been doing and we do have some active projects from major networks which you wouldn't be able to name. It is for Amazon and Netflix. We have been working on some of these major projects actively. And so, with our subcontract standalone work also it does not have come down, maybe with the first half things have been relatively slow. But second half we see a good surge in the work that we do.

Viraj Mahadevia: In your employee benefits expense my last question, you've seen a massive jump from 13 to 15 crores to about 38 crores in this half. Is this because of the entire cost of One of Us taken for the entire first half of the year and how much is this cost expected to be rationalized to for the second half? Because this is having a big impact as you can imagine on your margins and your PAT.

Balakrishnan R.: Yes.

Gaurav Mehra: So, if I may take up that question, Gaurav this side. So, as you said that rightly that the major cost into the employee cost currently in the financials is on the One of Us. If you see our standalone, our standalone cost as a percentage of the revenue has been improved in kind of the last year of the 32% of the top line and H1 '24, 32% of the top line as a cost we are currently around the 28%-29% of the top line. So, there being some marginally improvement. But as I said that management is also looking into that what further rationalization can happen. But then the cost...



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Viraj Mahadevia: Gaurav to your point, you have 8 crores of employee costs in your standalone right. And you're consolidated you have 38. That means 30 has come from the consolidation with One of Us.

Gaurav Mehra: Right.

Viraj Mahadevia: How much is this 30 likely to be reduced by to have a positive impact on your margins and EBITDA margins and PAT?

Gaurav Mehra: Mr. Viraj it's hard to call out the number so specifically for the forward looking as Mr. Bala mentioned in opening remarks, we have the synergy plan to work out with One of Us. Now it's the employee related and lot of revenue. So, it's very hard to say that the saving in terms of the time bound manner. We expect a good amount of the saving to come with that the work moving from One of Us to more to the India. But it's hard to call out any specific number out of this that what the number it would line up. We are working to still fine tune the initial plan. So, we are working towards One of Us management to see how fast and how more we can drive.

Viraj Mahadevia: I understand but I appreciate that. But you mentioned that you've renewed not renewed some contracts from 400 of One of Us to 288 now. So, in that 112 reduction, is that reflected in the 38 or it's yet to be reflected and 38 will come down meaningfully?

Gaurav Mehra: Very partially might be reflected, so this 38 will be carry only that the two month of the cost because we acquired them in the end of the July. So, there won't be any material amount for this two months. So, it will not reflect the full potential. So, maybe on the H2 it will reflect the more material number.

Balakrishnan R.: And as we are talking now, we have recently had a redundancy of around first set of numbers in November and likewise another set of redundancy in December as well. So, these things are working out. And likewise, we also have a VFX supervisor from London station here in Chennai closely working with the team to ensure the projects of One of Us is being executed with more confidence from here in Chennai. Our CEO has also been traveling to UK as well regularly to ensure that the synergy plans are implemented in a timely manner. And likewise, Gaurav is effectively working with the finance team in London on a daily basis to ensure these things have been taken care and we will put in proactive action into these areas to ensure more of synergy done in a timely manner as well.

Viraj Mahadevia: But I think this employee cost line is key to your growth and survival.

Balakrishnan R.: Yes, very much. Because if you take with One of Us and compare One of Us and Basilic Fly, our employee cost per revenue would be around 30% I believe. I'm not looking at the exact numbers but if you look at One of Us, their cost per revenue per employee is 78% rather. So, their employee cost is only the thing that is eating up to their margins. So, that is where we have been working towards more straightforward approach where we do balance it out and make sure



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how much we do it from India and like we deliver some of the work from London as well to keep the ecosystem well balanced between these locations.

Viraj Mahadevia: You mentioned 200 crores order book with One of Us. What is the existing order book for Basilic Fly Studio standalone? That was not clear because you said it's not 20 crores it's much more. So, I'm not clear on that.

Balakrishnan R.: When we say "very much," we are looking at two parts now. One is doing direct work. When we say direct work, we do this direct work through One of Us where we execute 30% of work from One of Us to be done in India. And when we say the 30% we will put significant work that would be delivered here. And apart from that we are not leaving out any of the subcontract work that we do. So, that is where our reputations are really high. We are the go-to vendor for major VFX studios. So, once we have this work that is in the pipeline either be the major production which we would eventually get to work on those work either be Disney, which we could not name at the moment, either be Disney or Paramount Action franchise which is coming up and which we are about to start. And those are the projects which are there. And we are also actively working on some of the production projects as well.

Viraj Mahadevia: Sorry Bala that's not answering my question. How you execute One of Us is a separate matter. One of Us has a 200 crores order book. How much does Basilic Fly Studio by itself without One of Us have as order book today?

Gaurav Mehra: Mr. Viraj, if I may take up that question. As Mr. Bala mentioned in the beginning, we expect that our current run rate to continue. Talking to the pipeline you see that we don't have an annuity contract which lasts for 1 year. So, our pipeline will get executed in a term of the close to a quarter or 4 months, 5 months. Then we continue to get more confirmation. On a standalone basis, we expect to be marginally higher than the last year number. That's the visibility as of now. The add to that would be for a standalone will be that what the work will be. So, when we say the 20 million pipeline for the One of Us, it's the order book they have. Now with their order book of my standalone order book will also improve because we are transferring. So, we have our own legacy pipeline to continue and One of Us new pipeline to be added to that. And we are working very actively to make the migration happen faster. So, that should help us to improve our top line.

Viraj Mahadevia: Sorry sir still my question is not answered. Migration is a function of shifting work from London to India. How much does the India Basilic Fly Studio business have without One of Us as an order book today or is there no order book?

Balakrishnan R.: To be more precise to your answer there are few projects which we have been executing and with for example One of Us as the standalone company wouldn't be able to work on certain projects. And there are certain projects which we have recently taken up. And we also have a London based VFX supervisor sit out of Chennai now to work closely with our team. In that



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manner we have been working on a certain project. This is one of the major for VFX or a few other projects, something we wouldn't be able to name it on a public forum. But there are projects for which we have this VFX supervisor in London to be executed and to be done here in Chennai particularly. And so, there are projects that we will be able to, even the value for the project to be done here in India as usual scenario.

Viraj Mahadevia:

What would be the combined value without giving us the names of the project?

Balakrishnan R.:

Approximately if you take, it would be around the 30 to 50 crores of value.

Moderator:

Next question is from the line of Ronil Dalal from Ficom Family Office.

Ronil Dalal:

My first question is, since we have a relationship of around 5 to 6 years or more as you mentioned, an ongoing work relationship with a lot of the customers. So, how come we are still not able to collect the receivables? Because I mean if you do have a good working relationship, you're currently doing work. But I mean what you mentioned is the contracted credit period is 30 days. What you are taking as a base assumption is 45 to 60 days. But we are now more than 180 days. If you have a good working relationship with someone, normally they would not do that to you with unless they are taking advantage of you or there is a competitive pressure or there's some other aspect, any comment on that?

Gaurav Mehra:

As we mentioned that there are two parts to this. One you said that we have the good relationship which means that the work continues and when they pay the older one, we are getting the new bill. Now the question come that we have still large part of the aged one. As I mentioned in opening remarks, we have a huge collection of close to 23 crores from the September till now where in larger part maybe around 17 to 18 crores pertain to the old aged collection. So, we did get a good collection over this period and we are expecting this to improve further. Why it got accumulated because it's an industry wide problem. They are getting the challenges to get the collection done from the producers. So, they have Also requested some deferment. The payment has come in few cases partially, few cases it's been struck as and when they are doing the work they are paying. So, it may take some more time to get it fully realized which we expected maybe by the end of this quarter or it may drag till the march or so. But we are not expecting any kind of the hit to the P&L on the collectability of this aged receivable at this point of the time.

Ronil Dalal:

Your base assumption is 45 to 60 days. Perhaps I would suggest is maybe it is time to revise the base assumption that maybe the nature of the business is now changed. That maybe it should be 90 to 120 days.

Gaurav Mehra:

Kind of I would say because as we said that when you say the nature of the business, so terms remain the same. But it's like that when the impact is industry across wide. So, definitely that the running cycle get longer. That's what it's happening. As Mr. Bala said, that strike got over in the last October and the pipeline and the work started coming more towards the end of the H1.



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So, as the cycle moves, we expect this to improve. But you're right on the larger assumption, it's no more in the near visibility going back to the 30-60 in the next at least 5 to 6 months. Maybe after that we may see it gradually reducing toward the old level.

Ronil Dalal: So, you mentioned that by April-May you'll be able to collect some of it or most of it. So, then by May how many days should be the receivable days?

Gaurav Mehra: We said that our term is to take it on practical basis it goes in the 60 days period. So, it can't be precisely and so accurately can be estimated. But we expect it to be back around that. And as I said that large part of collectible which is from the One of Us. That larger part falls under the 180 days.

Ronil Dalal: But that is not really a very good benchmark, normally receivable days if you are saying it's normally 45 to 60 days that's like 2 months and 180 days is half a year. It's not a very big deal that it's below 180 days. It's actually a alarming thing that it is more than 60 days, 90 days. I understand the predicament you are in but I'm trying to understand that going ahead now you mentioned by April-May, you will be collecting certain amount of receivables you're expecting to collect. So, then in that case you think it will come from presently around 150 days. You think it will be realistically moving towards 60 days or should it be 100 days or 120 days?

Gaurav Mehra: Should be in between that. I wouldn't say the gap should be so large from the 60 days because that's not the industry cycle. So, industry cycle credit term doesn't go that longer beyond the kind of the 100 days. So, it should be in between 60 to 100.

Ronil Dalal: The second one is that the recovery has not been reflected in the second quarter perhaps and maybe there was some issues up to the month of June. Have you seen any uptick since then? So, what has been the revenue run rate since 30th September for the last 45 days or so?

Balakrishnan R.: There is certainly a change in trend from. Actually, we anticipated there would be a surge from June-July onwards but July there seems to be some kind of a surge but eventually there was a start and stop around July and between August and then we now see a good progress even with overall industry itself from September onwards we do see a progress and September to December that is very good progress and from January is where we see huge surge with the industry. From the FY25 first quarter and towards second quarter there is a huge surge in the industry as well overall and now with overall as a group company, we do have either scope for direct work as well as for subcontract work as well.

Ronil Dalal: Is there any revenue run rate currently month to month from September 30th, today we are November 14th, so in the interim period what has been the revenue run rate? If I can understand.

Gaurav Mehra: In the run rate of the H1 largely it's around the run rate of the H1.



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- Ronil Dalal:** No not H1 since September 30th to November 14th, so last 45 days what has approximately been the run rate?
- Balakrishnan R.:** I'm saying that only that we have close to 34 crores in the first 6 months which is largely 5 crores, 5.5-5.25 crores per month. We are largely in the same run rate.
- Moderator:** Next question is from the line of Mahavir Mehta, an individual investor.
- Mahavir Mehta:** So, as per your conversation, I would like to say that H2 revenue would be approximately 150 Cr and net profit would be approximately 30 crores. As that's actually my perception. Am I right? Actually H2 revenue should be would be around 150 crores.
- Gaurav Mehra:** Likewise, yes
- Mahavir Mehta:** And the net profit would be approximately more than 30 crores as you mentioned that you are already in process of actually cutting the salary of the things which you have purchased. So, your expense should be cut by approximately 20 to 25 crores in the next 6 months. So, that expense would be added to the profit bottom line, am I right?
- Gaurav Mehra:** That will help, but there could be some cost as well. As Mr. Bala was saying, we are working on some kind of redundancy efficiencies as well. When we execute then there will come some costs. So, it's hard to call out the number so specifically. But there could be some cost related to that as well.
- Yogalakshmi:** And also, simultaneously if you need to increase the capacity in Chennai then that will also increase the cost.
- Mahavir Mehta:** So, you are cutting Rs. 5 crores per month from the acquisition which you have made?
- Balakrishnan R.:** No didn't get your, so we are....
- Mahavir Mehta:** So, you're reducing staff by 112 and the average salary you mentioned that it's Rs. 4,50,000 to 5,00,000 per month. So, approximately in 6 months you would be reduced these expenditures by almost 25 to 30 crores. That's what I mean to say.
- Gaurav Mehra:** No so let me be clear on here. So, our current PAT margin stands in the range of the 15.4% at the consol level. As if now with the near visibility we expect this to be around that. And it may also be impacted with the multiple initiative running and plan for the H1. So, we don't expect very high search to the current level of the margin.
- Mahavir Mehta:** So, revenue is 150 and if you think your margin would be 15%, net profit margin then it's like a 22 to 25 crores.



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- Gaurav Mehra:** Right, as I said that we can't go with the exact math. So, with the redundancy and all the extension plan it may also get impacted. So, it's hard to call out the number so specifically forward looking period.
- Moderator:** We have our next follow up question from the line of Shikhar Mundra from Vivog Commercial Limited.
- Shikhar Mundra:** To understand them employee cost better can you explain like how many employees on payroll do we have for the standalone entity? And what are the salaries we pay them. So, what are the total cost and how many employees we have for One of Us right now on payroll and how many how much salary do we pay them?
- Gaurav Mehra:** So, to call out that the key number. As you can see from our financials, we spend around close to 9.5 crores in terms of the employee cost for first 6 months which is for count of an average of 450 headcount. And in terms of the One of Us as Mr. Bala mentioned, the employee cost is a major cost for them. So, for a top line of the 40 crores, they stand close to 32-33 crores. So, that's what the range is.
- Shikhar Mundra:** And what are the number of employees on payroll there?
- Gaurav Mehra:** 280 total.
- Shikhar Mundra:** So, the 64 crores annual salaries is for 280 employees. So, these are on permanent payroll as of now?
- Yogalakshmi:** There are few contractors also. So, it's a combination of employees as well.
- Balakrishnan R.:** The key employee for more of a permanent role but a person them most of them are in contract in UK and Paris. Both these locations most of them are on contract.
- Shikhar Mundra:** What is the annual salary of the 280 employees?
- Gaurav Mehra:** The number I mentioned close to 30 crores. That's a two-month number. So, 2 months taken, it comes to average of the 15 crores kind of.
- Shikhar Mundra:** 15 crores monthly is for the 280 employees and we plan to remove 50-60 employees from the payroll. So, how much of a cost saving that will be?
- Gaurav Mehra:** No but you're saying what will be the cost saving from the synergies plan?



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- Shikhar Mundra:** So, from my understanding 15 crores is the employee cost for One of Us monthly for the 280 employees. But this number should go down because we'll be substituting some of the employees to the Indian entity. Is that right?
- Gaurav Mehra:** Right.
- Shikhar Mundra:** So, how much will this number look like monthly then?
- Gaurav Mehra:** So, it's hard to say that the number so precisely, as we said that we have the synergy plans where we are working by the skill mapping by the work that what skill can be migrated. So, it all depending upon that the period of the migration, on the hiring of that skill set into the India on the replaceability on the redundancy plan basis on that the saving will materialize. It's hard to call out that the precise number on such kind of dependent saving.
- Shikhar Mundra:** Because I was wondering you said the PAT margin would still look 15% because there should be some cost savings or some arbitrage because we'll be substituting a lot of work from the London entity to Indian entity. So, the PAT margin should in fact improve.
- Gaurav Mehra:** So, there are two factors to this, that you are right. On the long-term basis that definitely should improve. But as we said that when we work out this energy, there will be some interim cost of redundancy and all. So, seeing the near future it will be of compensating that the benefits coming out of it.
- Shikhar Mundra:** And how much do we plan to execute for One of Us only in H2?
- Yogalakshmi:** 30% of work is what we are planning.
- Balakrishnan R.:** And currently we have started 50 to 60 artists dedicatedly working for One of Us from here in India.
- Shikhar Mundra:** There was a goodwill of 77 crores which has been created. But our acquisition cost is only 30 crores. So, how is this goodwill created?
- Balakrishnan R.:** Sorry can you repeat that? How the good will be created?
- Shikhar Mundra:** Of 77 crores because I think the cost of acquisition is much lesser. It's around 32 crores.
- Balakrishnan R.:** Cost of acquisition?
- Shikhar Mundra:** Yes, because in the investing I can see a 32 crores of cash outflow.



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- Gaurav Mehra:** No so see those are a very highly confidential information to be precisely call out that the deal price and all. So, it's as per the accounting standard that we worked out of goodwill.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Ms. Chandni Chande from Kirin Advisors for the closing comments.
- Chandni Chande:** If you have any queries you can write to us at research@kirinadvisors.com. Once again thank you for joining the conference. Thank you everyone.
- Balakrishnan R.:** Thank you so much.
- Gaurav Mehra:** Thank you everyone for all your time.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.