“Digikore Studios Limited

H1 FY ‘26 Results Conference Call”

November 03, 2025

MANAGEMENT: **MR. ABHISHEK MORE – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – DIGIKORE STUDIOS LIMITED**
MS. HENY PAHUJA – COMPANY SECRETARY & COMPLIANCE OFFICER – DIGIKORE STUDIOS LIMITED
MR. RAKESH NIKALJE – CHIEF FINANCIAL OFFICER – DIGIKORE STUDIOS LIMITED

MODERATOR: **MS. RUCHIKA SHAH – EQUIBRIDGEX ADVISORS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Digikore Studios Limited H1 FY '26 Results Conference Call hosted by EquiBridgeX Advisors Private Limited. As a reminder, all participant lines will be in a 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 over the conference to Ms. Ruchika Shah. Thank you and over to you, ma'am.

Ruchika Shah: Thank you and a very good afternoon to everyone. Welcome to the H1 FY '26 earnings call of Digikore Studios Limited. From the management team, we have with us today Mr. Abhishek More, Managing Director and Chief Executive Officer, Ms. Heny Pahuja, Company Secretary and Compliance Officer, and Mr. Rakesh Nikalje, Chief Financial Officer.

Before we begin, I would like to mention a brief disclaimer. This conference may include certain forward-looking statements which are based on the current views and expectations of the company. A detailed disclaimer is available in the investor presentation that has been uploaded to the stock exchange.

With that, I now hand over the call to Mr. Abhishek More for his opening remarks. Over to you, sir.

Abhishek More: Thank you. Thank you, Ruchika. Good afternoon, everyone and on behalf of the entire management team at Digikore Studios Limited, I extend a warm welcome to all our valued shareholders, analysts, partners, and friends joining us today for Digikore Studios H1 FY '26 earnings call. Thank you for your continued support and belief in our journey. Your encouragement over the last year has mattered enormously to us.

I want to open with a simple thought that guided our team throughout the toughest stretch the global content industry has seen in years. Tough times don't last; tough teams do. That mindset combined with disciplined execution has powered a sharp rebound for Digikore Studios. Over the next few minutes, I'll cover four arcs, the VFX industry's comeback and why the runway ahead looks especially strong.

So Digikore's blockbuster FY '26 performance and what's driving it, our strategic levers, including the upcoming INR45 crores QIP, our global client approvals, and our sales push in the U.S. and Europe and finally, how we are future-proofing the company with AI tools, virtual production, branded content, and SaaS so that we play offense regardless of how technology shifts the industry.

So first, the industry context. The Hollywood writers and actors strike created an unprecedented pause. Obviously, that was the rear-view mirror, and the rear-view mirror is behind us now. Productions have restarted, green lights are flowing, and content calendars are rebuilding. Multiple independent trackers now point to sustained growth for the effects and production technology stack over the next five years.

For example, one recent market view animation and VFX at a 12.12% CAGR through 2030, underpinned by streamer demand, real-time pipelines, and cloud rendering. Within this, virtual production is expanding even faster with estimates ranging from 18% to 33% CAGR for virtual production by 2030, reflecting the shift to LED volumes and on-set visualization in real-world shoots.

Add to this the continued rise of streaming spend and multi-season episodics, you have a medium-term environment that is not just recovering but structurally expanding. So against that backdrop H1-FY '26 for Digikore Studios was about turning momentum into metrics.

Let me summarize the headline numbers year-on-year versus H1 FY '25. So versus H1 FY '25, total revenue grew 59.6% to INR36.13 crores compared to INR22.62 crores in H1 FY '25. PAT increased 117% to INR6.11 crores versus INR2.82 crores in H1 FY '25. We worked really hard on our expenses side, and as a result of that, operating expenses as a percentage of revenue fell to 78.6% from 83%, an improvement of 440 bps on a mix, utilization and cost control.

And also, very importantly, operating cash flow turned positive and strengthened on better profitability and collection. So these are not just good points, they reflect the business that has moved from recovery into profitable growth.

What powered this? Let's look at the three flywheels that powered all of this. First one, no-brainer, a stronger demand cycle. As production resumed, we converted pent-up demand into delivery, especially in episodic. Today, 80% of our revenue is episodic, which provides pipeline visibility, seasonality balance, and more consistent cash conversion relative to one-off terms.

As one of the premier and older studios, we never had a problem of getting work. When there is no work because of the strikes that did impact us, but when there is work, we are right at the forefront. We are very well-known, extremely good across the industry. So as the demand has come back post-strike, we are right in the front, and we are able to bring in a substantial amount of work.

A sharper client mix and approval. So we are among a handful of India-origin VFX studios that have been audited and approved by TPN, Disney, Marvel, Netflix, Amazon, Paramount, Warner Brothers, Lionsgate, Legendary, CBS, HBO, and several other production studios in the U.S. and Europe. So this deep bench of approvals is a strategic moat. It shortens sales cycles, improves win rates, and supports direct work.

As a company, we are working extremely hard towards moving to more of direct work compared to outsourced work. This year, we have achieved almost 50:50 ratio, which is 50% direct work compared to last year, which was only 20% direct work. And our goal over the next year, that is by the end of FY '27, is to be at 80% direct work and we are moving in that direction pretty well.

The third point that has powered all of this is the sales intensity and face time. In H1 FY '26, we completed 100-plus in-person and online meetings with existing and potential clients across the U.S. and Europe, enhancing visibility with networks, streamers, and production houses, and supporting a higher-quality recurring pipeline in episodic work.

We are today sitting in an order book of over INR20 crores, and we'll definitely keep this momentum, more meetings, more demos, more wins, because it's a no-brainer. FaceTime with decision-makers is converting into work, and that's the rule of the game.

Let me spend a moment on geography. Europe is a top priority of ours right now. The region is scaling capacity and virtual production infrastructure, and our recent mega sales drives across Los Angeles, London, Paris, Madrid, Glasgow, and Edinburgh have translated to tangible outcomes, new vendor enrolments, active bids, NDAs, and award momentum. This is not just activity. This is pipeline conversion, and it's directly tied to our H1 step up and into a healthier H2 outlook.

Our team also recently participated in the VIEW conference in Italy, which was literally 15 days ago, and we are now again planning a new roadshow in the first week of December, which will aggressively cover Europe again, which will be covering London, Spain, and Germany. So, we're going extremely aggressive on Europe, and we are getting the results already.

To be closer to the decision-makers, we have... So, this is another important thing. We have just got approval from our board, and we are working towards establishing a subsidiary in New York, basically to anchor North America growth and response time. So, that's where with an accelerated Europe strategy is already delivering, and we are seeing the difference.

On capital and balance sheet, again a very important part of any business, we will be completing our INR45 crore QIP fundraise in November. So, this is designed to give us additional working capital flexibility to scale delivery, invest in on-ground market presence, accelerate high-margin initiatives, and strengthen balance sheet by certain loan reduction partially from the QIP fundraise.

Combined with our recently completed 1:1 bonus issue, it signals confidence in the multi-year value creation path that aligns our capital structure with growth. Following the QIP, the promoters also intend to infuse INR20 crore via convertible warrants. So, this signals unambiguous promoter confidence in Digikore Studios growth trajectory and creates skin-in-the-game alignment with all our shareholders.

Now, I want to bring you to a critical theme, which is building for tomorrow while executing today. One of the biggest secular shifts in the world, is rapid advancement of AI across industries, including content creation and VFX workflows. In fact, I had a very interesting conversation with them, on Sunday, I was at a meet where we had Dr. Shashi Tharoor as one of the speakers, and I had an opportunity to interact with Dr. Shashi Tharoor as well. And he was also talking about the advancements in AI and how that could be a threat to across industries and we were also concerned about the VFX.

But we are not just spectators to that change. So, we are building for it. As we shared in prior calls, Digikore has been investing in AI-assisted roto, clean-up, match-move, tracking and QC, and in proprietary SaaS-based platforms that can be monetized beyond our internal pipeline. This isn't a hedge. It's a springboard.

If AI reduces unit economics for certain task categories, we intend to be the ones who own the tools, pass productivity gains to clients, and still expand margins through speed and scale. That is why we say Digikore Studios is the only VFX company in India preparing for this aggressively for the future if AI were to affect VFX revenues, because we plan to lead that curve and not chase it.

Alongside AI, our virtual production asset strategy has advanced. Virtual production is not a buzzword. It is a workflow revolution, previs, onset, visualization and digital environment that collapse time and cost. Like I mentioned earlier, the global VP marketplace is projected to compound at anywhere between 18% to 30% CAGR this decade. And we are positioned with Unreal Engine-based asset creation that can be reused, extended and licensed across shows.

Let me speak to you a little about our four operating verticals, each of which have delivered substantial growth in H1. VFX, which is our core, strongest half since pre-strikes on episodic strength, client approvals and direct work share rising.

Branded content. Well, I'm happy to let you know that season two of Kaise Banta Hai and season one of our new show Heroes are now streaming on JioHotstar. In fact, it just went live last week. So another huge win for us.

And we continue to generate meaningful revenue from IPs and formats that can be monetized across platforms, regions and syndication windows, creating non-linear upside beyond service billing.

AI SaaS and services are now seen as productizing workflow accelerators and exploring external licenses, an emerging P&L lever, and a strategic hedge. So AI is going to -- AI SaaS products are not something which will give us returns in the short-term, but in the medium- to long-term, they could be really propelling the company into its next future.

Virtual production assets are expanding library, stronger reuse economics and growing client traction in the US and Europe. More importantly, our VP asset library is already monetizing on Unreal Engine's fab.com, and we are seeing growing revenues from fab.com month-on-month, which is a great sign. So this is something which we've already invested in and now we are bearing the fruits of that investment.

A special word on our hybrid brand jingles business. I do believe strongly that this could be one of the revolutionary products or services that we have at Digikore. We have seen exceptional traction in India. We are already getting lots and lots of orders on a daily basis in India for our hybrid brand jingles.

We've recently expanded into UAE and we've already started receiving orders in the UAE, and will soon be opening up the US and UK markets very soon. This is a nimble, high-velocity vertical that builds brand equity for clients and operating leverage for us. So we actually see this contributing meaningfully over the next few quarters, that is brand jingles.

Before I conclude, let me restate the H1 FY ’26 proof points in the simplest terms. Revenue is up 59.6%, compared to H1 FY ‘25. PAT is up 117%. Operating expenses down 4.4%. Operating cash flow has turned positive and strengthening. Multi-region sales drives converting to awards and order book visibility. A INR45 crores QIP to accelerated growth while we stay disciplined on return on capital. Promoter warrants of INR20 crores. And a company is not just executing the current playbook, but writing the next one across VFX, branded content, AI and virtual production.

Let me close with two thoughts. First, our culture. During the strike period, it would have been easy to shrink and to play defensive. Our team chose to lean in, sharpen cost line, increase direct client engagement, invest in technology, and step up our presence in the US and Europe. So that is why when demand returned, we were first up the curve. As Peter Drucker put it, the best way to predict the future is to create it. We intend to keep creating it deliberately.

Second, our promise. We will continue to communicate with transparency, execute with discipline and allocate capital with prudence. We are committed to sustaining 30% plus CAGR over the next few years, supported by industry tailwinds, our sales engine, technology leverage and a sharper client mix. The windshield is large and bright. The rear-view mirror is small for a reason.

On behalf of the whole leadership team, thank you for your trust in Digikore Studios. We are excited about H2 and beyond, and we look forward to updating you on continued wins in VFX, growth in Europe and North America, and the scaling of our branded content, AI and virtual production initiatives. With that, we will open the floor for questions.

Moderator: The first question is from the line of Garvita Jain from Seven Islands PMS.

Garvita Jain: Hello. I hope I'm clearly audible, sir.

Abhishek More: Yes. Absolutely.

Garvita Jain: Yes. So, sir, my first question is, I wanted to get some idea on the guidance that you have given for FY ‘26 to ‘28. Sir, what is giving us such a confidence for such a strong guidance and what is going to drive this visibility of up to INR100 crores of revenue by FY ‘28, sir?

Abhishek More: Right. Good question. So, see, if the strikes weren't there, we would have probably achieved all of this one year earlier. With the strikes disrupting business completely, that has -- that led to a, so you can say, a one-year shift completely in our life. FY ’24 -- in FY ‘24, we did INR48 crores of revenue. It was a very natural shift for any business at that stage, which is already approved by so many players, including Disney, Netflix, Marvel, to look at that growth.

Now, the guidance we are able to get because the VFX industry is back. The work has started. It's business as usual. We are growing aggressively in Europe, which was a market which we hadn't grown very, very aggressively earlier. What has also happened is that because of the strike, several VFX studios across the world have shut down.

Now, what has happened is that the work has come back. So -- and the work has come back to the bank because there is a pent-up demand when the industry shut down for nine months, 12 months. So, the pent-up demand is there with fewer players to service that pent-up demand. So, the players who survived, like us, definitely gained, will benefit from this, because the pie has increased and the eaters of the pie have reduced.

So, whoever has survived will get larger piece of the pie. And with the industry back, that is one. Two, with our verticals, which is branded content, brand jingles, AI platforms, and virtual production assets firing and all of them firing literally from H1, we are extremely confident of the guidance that we've provided.

Garvita Jain: And sir, can we expect that H2 is going to be better than H1 in terms of the revenue and PAT, because we are guided for like INR11 crores of PAT for FY '26. And out of that…

Abhishek More: Correct.

Garvita Jain: INR6 crores is already achieved. So, can we expect that H2 is going to be better than H1? And is there any changes in the guidance that you have given, sir?

Abhishek More: So, as of now, see, we don't want to keep changing our guidance every one month. So, let's stick to the guidance. But there is a good chance we will beat that because of the H1 performance.

Garvita Jain: Okay. So, H2, we can expect to be better than H1, right?

Abhishek More: We are doing our best because now that we have a strong H1 and a strong base, there is no reason why we should keep -- have H2 lower than H1. So, technically, if H2 is better than H1, which is already anticipated, FY '26 guidance will definitely be better, results will actually be better than our guidance.

Garvita Jain: Okay. And sir, speaking of AI, so could you help me understand more elaborately that how AI plays a key role in VFX and like how do we apply it into the business and everything about AI, which makes it…

Abhishek More: Sure.

Garvita Jain: Good for VFX?

Abhishek More: So, technically, AI does not make anything good for VFX. It only helps us a little in improving our productivity by, let's say, there are certain manual tasks which we do in our production pipeline and we are able to use AI to improve, because let's say, three people spend five days to do a certain job on the backend side, AI is able to get that done, let's say, by one person in half a day. So, that's -- those are tools.

As of today, international streaming platforms, international production companies like Netflix, Amazon, Disney, Warner, Marvel, they are yet averse to using AI in content production. So, AI will never disrupt VFX. In a sense, it will directly disrupt content production. So, it is not only going to affect VFX, it will affect the entire chain of how content is made.

I don't know how many of you have seen the Mahabharata that has come on JioHotstar recently. The whole series is made in AI, right? The whole series is made in AI. So, there is no question of VFX being disrupted. Everybody from actors to light people to technicians to studios, nobody earned money out there except, the software tools that made it, okay? So, it disrupted the entire filmmaking process only.

As far as we have, like, we just recently signed another contract with HBO and the contract right now says that you will not use AI in bold, bold, bold letters. In India, we are not as scared about copyright issues and copyright claims and things like that. But in the US, when a Netflix or a Marvel or a Disney makes a project, they don't make it in a few hundred thousand dollars. They make this and millions and millions on that.

And I was also recently, like, on one of my calls, I said I was with the head of VFX at Amazon. I was having lunch with him. And they are not yet ready to use AI in their production pipeline, the actual, what we call a generative AI, that is creating images or creating videos using AI, because they are extremely scared, extremely conservative of copyright. In the US, one copyright claim will suddenly lead to, like, $20 billion, $30 billion, $50 billion, million dollars of suing. So, it is yet some time for content to be generated in AI.

As of today, I do definitely believe that AI content generation tools that are available will provide a huge boost to the creator economy. That is, individual people who want to create content, put it on YouTube, put it on other platforms, maybe the smaller OTP platforms in countries like India, they may use AI to create content by itself, like how JioHotstar Dharmayudh, Mahabharat. So, all that will come.

But our primary market, which is US and Europe, and the large production studios, they will not be using AI for some time, at least that's the hints and information we've got from them. So, for the short-term or medium-term, we don't need to be really worried. And we can't even use AI ourselves because that is completely banned because of the potential copyright claim that could arise from there. So, currently, the AI that we are using for improving productivity, that's at the back end, not on the front end in generating images.

Garvita Jain: Okay. Sir, a request to you, I've got heard a buzzing is there from your end, if you could please speak a little clearly will help me a lot.

Abhishek More: Okay. Sure.

Garvita Jain: I have two more questions, if I can. So…

Abhishek More: Sure.

Garvita Jain: One is, I wanted to ask you about the order book, you have guided that we have INR20 crores plus of order book currently. So, how much…

Abhishek More: Correct.

Garvita Jain: More is in the pipeline? What type of projects are we taking up for VFX? And if you could tell me about top five clients which we are working with currently?

Abhishek More: Just a second. I'm just going to bring up a big pipeline now that you mentioned that question. I hadn't really prepared for that. But I have that figure in front of me somewhere because I keep looking at that every day. Yes, so, our order book currently, like I said, is around INR20 crores. When I say order book, that means, in order book, there are two kinds of orders that we look at.

One is, let's say, if I'm doing a Netflix series, and it's an eight-episode series, and it's going to go on for six months to eight months, obviously, that's a part of our order book pipeline. And second is the commitment that we have received from our outsource partners that, hey, over the next three months, we are sending you so much work, because we know these people, they do send us INR4 crores, INR5 crore, INR7 crores, INR8 crores worth of work every year.

So, everybody is now getting so busy that the people want to block capacity. So, we started getting emails from our existing clients that, hey, we have this project coming up. The value is this much. We are sending it to Digikore. Please keep your team ready during this period to this period. So, order book is a mix of outsource clients and direct projects.

Coming back to outsource clients, we normally don't like to name them because of confidentiality issues. But in terms of direct projects, we are getting -- that's our top five and we're getting direct projects from Netflix. So, Netflix, HBO, CBS, and we're just now talking to Marvel for a large project.

Garvita Jain: Okay. Okay. And can you quantify any numbers and how much of the pipeline can we expect?

Abhishek More: So, currently, we have almost -- I don't have the exact figure, but if you're asking bidding, what is in bidding, we have over INR35 crores worth of projects in bidding. Obviously, we don't expect to get all of that.

Garvita Jain: Yes. Yes. Yes.

Abhishek More: But yes -- but if you were to get in the next one month, even INR10 crores of that, because our bidding pipeline is constantly evolving. We're getting bids every week. Every week bidding has gone up and our bidding team is, in fact, scratching their heads now because they haven't done that for the past 18 months. But yes, so that's a good sign.

So, our bidding pipeline is pretty strong. And there's no reason why we shouldn't be able to achieve at least INR8 crores to INR10 crores on a very conservative side of this INR35 crores that's currently in bidding.

Garvita Jain: So, you're saying that we can turn INR8 crores to INR10 crores into order book out of bidding pipeline?

Abhishek More: Absolutely. If I were to put it on a conservative side, I definitely, there's a good chance we'll get more than that, but on an absolute conservative side of a current bidding pipeline. See, our

bidding, like I said, we are bidding every week. If you ask me, after four weeks, we'll probably have, some would have got awarded out of this INR35 crores, some would have got rejected, and a new bidding pipeline would have generated by then in the next one month's time. So, yeah -- so, as of -- out of the current bidding pipeline, I'm estimating on a conservative side, INR10 crores, INR12 crores should get awarded.

Garvita Jain: Okay. And so, like, if you could tell me what type of projects are we bidding for, like, particularly bidding pipeline, a major portion is of which type of project?

Abhishek More: Oh! It's episodic. Our major thrust is episodic. And we are also pretty aggressive right now on indie films, not on the large, because we don't bid and we're not going to become eligible for a large Marvel movie directly. But yes, our focus is a lot on indie films. Indie films are great. They typically have around INR2 crores to INR4 crores, maybe INR5 crores worth of VFX projects.

The directors and the VFX supervisors aren't as pixel perfect like a large Marvel movie. And it works out pretty well and they're very profitable, the indie films. Plus, we get tax rebates from India. We just applied for tax rebates for one of our HBO projects and our indie film. Obviously, we took -- the indie film tax rebates is what we are going to get in our pockets. The HBO tax rebates will go to HBO for their project.

So, and the tax rebates, obviously, is a massive magnet right now to attract work, because when the producers are going to give us, let's say, a INR2 crores or INR3 crores or INR4 crores rupee project, and that's already a massive thing compared to US and European rates. And on top of that, they get back 22.5% of the work. It's great.

The only thing is that when we get a project at our subsidiaries, we are not able to claim tax rebates for that, because as per the tax rebate laws in India, a subsidiary or upward or downward. So, let's say, I'm a subsidiary of a foreign company or the foreign company is my subsidiary, tax rebates are not applicable for that.

Tax rebates are applicable only for a direct client order that comes to a direct Indian company. So, they do not allow tax rebates. So, but yeah, most of our Canadian work is non-tax rebates. So, that doesn't make a difference. Whenever there is a tax rebate situation, we take the order directly into Digikore Studios India.

Garvita Jain: Okay. Got it. And one last question. Sir, if you could please help me understand, how are we different from our peers and what makes us better than them?

Abhishek More: Can I give the answer to this question in Hindi?

Garvita Jain: Sorry.

Abhishek More: I will give an answer for this in Hindi. That's actually a good question.

Garvita Jain: Okay.

Abhishek More: Thanks to our diversification and the moats that we've created, I would like to say that others are selling rice and we are selling biryani.

Garvita Jain: Okay. Okay.

Moderator: Thank you. The next question is from the line of Shaurya Punyani from Arjav Partners. Please go ahead.

Shaurya Punyani: Sir, is there any some sort of seasonality in a business like H1 has more concentration of revenue than H2?

Abhishek More: You know, earlier it used to be, to be very, very honest, and not really a seasonality caused by anything else, but seasonality caused by the Thanksgiving in the US or seasonality caused by the Christmas break in the US. So, you know, historically, we've always seen that from Thanksgiving, I don't know if you've ever worked with US and US clients, especially. After Thanksgiving, their holidays start till December end. Typically, they consider that my holidays are started.

This year, because of the massive, you know, bang and come back of the VFX and a massive pileup of VFX work, we don't anticipate, even if they go on holiday, we anticipate them overloading with -- overloading us with work and going, we hopefully that should be the situation. Because we are seeing that, right.

There are a lot of projects coming up. Everybody has deadlines. Somebody has deadlines of February; somebody has deadlines of March. And if these people vanish for 1, 1.5 month, you know, we only won't meet those deadlines. So, I don't anticipate such a major, you know, holiday period this year, because of their own deadline set by them.

So, I don't think we will face that seasonality this year, hopefully. But normally, H2 is, in normal circumstances, this, you know, December period and up to half of Jan is always very slow. But I don't think that should happen this year, because of the volume of work we are seeing right now.

Shaurya Punyani: Because last year, you had around INR36 crores of revenue had for the entire year. And this year, in H1 only, you have almost made that. So, since you are saying that you grow at 30%, doesn't that make H2 very weak?

Abhishek More: So, last year, we, and this year is not about we did last year 36 and H1 33. Last year 36 was a result of a strike. That was a massive dip in revenue. See, the strikes weren't there. After FY '24, INR47 crores, INR48 crores, we would have gone to INR65 crores automatically in FY '25, if the strikes weren't there. That was a natural growth process for us.

Now, assuming because of the strikes, we had a dip and now we are growing naturally. Don't keep our base at INR35 crores, keep it as INR48 crores, because I would like to consider that as our base in a normal year, now that we have come to a normal year situation. So, growing from

a INR47 crores, INR48 crores to a INR60 crores, INR65 crores is a normal growth for a high growth industry.

Shaurya Punyani: Okay. Okay.

Abhishek More: So, INR35 crores was a, it wasn't a normal industry situation. It was a strike year. There was hardly any work at that time.

Shaurya Punyani: Okay, sir. Sir, one final question, like, what's the view regarding margins? Like, how do we see our margins going forward?

Abhishek More: See, the VFX margins, like you've seen, they've shrunk a little now, because everybody in the market right now are hungry tigers. Everyone is starving for 12-18 months. They are all hungry. So, you know, we also did have to cut down a little on our margin to win some projects, because you can imagine, right, when you've not got work for 12 months, 18 months, whatever comes, you want to eat at that time, whatever age it is.

People were cutting rates increasingly. So, we did see a small margin hit in H1 compared to our typical margins of 18%, 19% PAT margin. Going forward, I anticipate VFX will settle in the same range of 16% to 18%.

But our other divisions, which are extremely high margin divisions of brand jingles, or SaaS-based platforms, or VP sets monetization, I do think we should be able to start pushing up our margin slowly over the next few quarters, with a target of, you know, touching again, 20%, 21%, maybe 22% PAT margins over the next three to four quarters, backed by the high margin businesses getting traction.

Shaurya Punyani: Okay. Okay. got it. Thank you, sir. Thank you.

Abhishek More: Thank you.

Moderator: Thank you. The next question is from the line of Pradeep. Please go ahead.

Pradeep: Good afternoon, sir. Sir, the other current asset has increased basically significantly. What is the other current asset reason behind it?

Abhishek More: The other current asset, just let me just open the balance sheet, so that I can answer it properly rather than just a shot in the dark. So, if you see, I'm just going to the balance sheet. One of the things in the other current asset is obviously our WIP that we have, that is your stock. In normal production, you would call that stock.

In services, we call that WIP, because of the uptake in the projects that have come up. So, as you're, it's like, you know, when a manufacturing company generally gets lots of orders, your stock also increases, deliverable stock, stocking. Delivered products ready to be delivered.

Pradeep: Okay. And trade receivables have further gone up, basically. When do we see it to be controlled?

Abhishek More: I would like to beg to differ out here. In fact, the trade receivables have, if you look at the trade receivables of March 31, they were INR39.55 crores.

Pradeep: Now it has gone up?

Abhishek More: 46. But look at the revenue, how much it has gone up. Technically, if we were faltering in trade receivables, this would have crossed 60. But we have actually gained on trade receivables in the H1. We've actually collected substantially from past projects and new projects. And that is why, while even if we booked, you know, a top line of INR33 crores, our trade receivables have only gone up by INR6 crores, INR7 crores.

So, actually, we have gained substantially on trade receivables. And over the next 6 to 9 months, we should be, we should have recovered a majority of the past trade receivables because now the VFX studios worldwide are getting work, their cash flows are getting better. But SMA, you can't just have, you know, in 2 months, if I get work, I'm going to clear off 6 months of pending payments to people.

So, we anticipate over the next 6 to 9 months, a lot of our pending trade receivables will be recovered. We've already started recovering that can be seen from the current. In fact, our debtor days, if you look at it, has come down from 400 to 200 approximately, if you actually, if you do a calculation of that. So, that gives you a sign that a trade receivable has improved, not gone up.

Pradeep: So, any chance of any of this trade receivable going impaired?

Abhishek More: So, as of now, we don't have signals from anyone. As of now, all of them are yet giving us work, paying us, you know, whatever little bit on a monthly, weekly basis in the past few years. See, somebody going bankrupt is not in our hands.

Nobody, no company is going to tell their vendor that, oh, we are going to go bankrupt. They will just declare it, you know, they won't even tell us. But as of now, we don't have signs. Unless a company, unless somebody who owes us money goes bankrupt, that is the only time we may have, we will have to write off that amount.

But if one of our clients, which doesn't look even remotely right now going bankrupt, because the VFX industry is back now, whoever had to go bankrupt went bankrupt last, late last year, early this year. So, we honestly don't foresee bad debts from this as of now.

Pradeep: Okay. And sir, one more question. The last time, around 1 month back or so, order book was INR27 crores and now it has reduced to INR20 crores?

Abhishek More: They also invoice now, maybe a month and a half back, but then that also invoicing for September happened in that now.

Pradeep: Okay.

Abhishek More: Order book translates into invoicing also. So, a part or portion of that is also got invoiced in September.

Pradeep: Okay. Okay. That's all, sir.

Abhishek More: Thank you.

Moderator: Thank you. The next question is from the line of Vijay Patil. Please go ahead. Next question is from the line of Mudit. Please go ahead.

Mudit: Hello, sir. Am I audible?

Abhishek More: Yes, Mudit, you are.

Mudit: Yeah. So, I just wanted to highlight on start that you mentioned that you would be taking up some high margin projects in the near future. Could you give some color on that? Like, how are they going to be, like, are they going to be in a similar line of business in which you are currently, or they are going to be on a different line?

Abhishek More: Mudit, I did not mention we are going to get high margin projects in VFX. I mentioned that the VFX margin will remain more or less the same, but we are the other verticals of ours, which is AI SaaS platform, our brand jingles and virtual production asset monetization on fab.com.

As the revenue from those grow, which are technically very high margin services and products, that will pick up the margin of the company as a whole, because right now the revenue from those are not enough for the margin to, you know, needle to move. But in the next few quarters, as the revenue from these verticals grow, that will pick up the margin of the company as a whole.

Mudit: Got it. Got it. Thank you. And just one more question. I just want to understand how actually right now this industry works with respect to the TAM. How big is the TAM? And in the past 1.5 years, we have been facing some key challenges. How we are seeing through in the next year, maybe two, three quarters? Like, what do you see as a future outlook?

Abhishek More: See, the international, the global VFX industry is estimated to be around $9.5 billion, okay? We are right now at a minuscule share of that. Nowhere -- actually minuscule, not even countable. And I just mentioned a few, you know, sometime back during my address that industry studies and industry research papers estimate the animation and VFX industry to grow at 12% CAGR through 2030. So we are looking at a healthy growth.

Again, I would like to reiterate that what has happened in the last 12 months, or 18 months is an unheard of, unseen of situation by any industry. You know, it is like thinking if tomorrow Maruti, Hyundai, Volkswagen, Mahindra in India decide to shut down production for 9 months, you know, what will happen to the industry? You know, half of India will die. It's a very rare sight that you ever heard in your life that an industry has shut down for 9 months or 12 months. That did happen. Unfortunate situation.

But that does not change the fact that the industry is very large and growing really well. And now that the strikes are behind us, the content production has started in full force. And, you

know, there's no reason why we should not witness good growth on an industry level. So, what happened was very unfortunate and it's never happened to any industry in the world before.

Mudit: Got it. Got it. And do we have any repeat client ratio in numbers, maybe? Could we get that in the PPT or...?

Abhishek More: I would really like to think that more than 80% of our clients come back to us. Very, very, very conservatively. It's rare. We've never had a client who's not given us work because our delivery was bad. Never. At least in the last 10, 15 years, I can't remember. Maybe in the early years, we must have had somebody like that. But in the last 10 years, definitely not. I don't remember any client who's not.

Secondly, what happens in this is that I'll explain how this industry works to you first. So when I say we're getting a project from Netflix, it's not really a Netflix. We're not getting really the project from Netflix. It may be a Netflix show.

To make it simpler for you to understand, when I say I'm working on a Netflix India show, the project hasn't really come to me from Netflix per se. It will come from a Yashraj or a Dharma or a Balaji who's producing this on behalf of Netflix. They are the ones who give the concept to Netflix. Netflix, Greenlight, Netflix is the one funding it for them. But they are the ones producing it, right?

So that's what we call the production house. Our order, even for a Netflix show or HBO show or anybody that we do shows, they come from production houses. There are certain production houses that do multiple shows, like, and they go on year-on-year, year-on-year, like a Dharma will do -- has been doing shows and movies for the past 25 years. Same with Yashraj, same with Balaji.

But at the same time, you may come across one company that's a production studio that has got one show Greenlight from, let's say HBO. They did that show and then they never produced anything after that. So while they may be a client of ours, but they will, since they're not producing another show at all, you know, we lose them as a client, but we can't say we got the repeat business from them because they just haven't produced another show.

So in our case, we're not really pitching to Netflix or an HBO. We're actually pitching to production houses who produce shows on behalf of Netflix or HBO or Amazon or things like that.

Mudit: Okay, got it. Thank you so much, sir. I think that will be all for my time.

Abhishek More: Thank you, Mudit.

Moderator: Thank you. The next question is from the line of Rahil S. from Sapphire Capital. Mr. Rahil, please go ahead.

Rahil S.: Yes. Hi, sir. Just one question. Any like acquisitions you have in sight for as a future growth lever? Because apart from you saying that the industry is in a revival mode, so will -- is this enough for us for the next couple of years to grow at this rate or more or you -- do you think any other strategies like an acquisition or maybe key partnerships with more and more production houses, anything else you could think of will be helpful to us and you have planned it?

Abhishek More: Yes. So, Rahil, let me give some perspective here. Right now, because of the threat of AI, not only the VFX industry or the media industry, any service industry in the world is confused on what's going to happen over the next two years or three years' time. Whether you take a legal firm, whether you take an IT company, IT services company, everybody is confused on, how AI is going to impact, how are the governments probably going to save jobs if AI comes in.

In our case also, right now it's very volatile. In a volatile market where the future of more than two years or three years is not very visible and not very clear, we as a business household, been in business for over 70 years, we've done multiple acquisitions across our various businesses. We understand when to acquire, how to acquire and what is the right time.

As of now, an acquisition may just lead to becoming a white elephant for us over two years, in the next two years if AI were to disrupt VFX. Following that white elephant after two years is more of a problem than a solution. That would then be a very short-term thinking that, okay, okay, next one year I'll gain a lot, my revenue will go up, my profits will go up, but after two years what? We are not running Digikore Studios as a listed company for a two-year window. We have to think for the next 25 years, at least, if not more.

So, right now, we don't have immediate plans of acquisitions because, like I said, it could become more of a threat than a muscle for us, because if whatever reason you acquire a VFX company, pay $10 million, $20 million or $5 million also, you are acquiring also talent, you are acquiring a salary bill of probably $10 million a month. What do you do with that which could become a potential white elephant if AI were to affect VFX?

So, we have taken the greenfield approach. We already have teams in Canada and North America. We are on the verge of establishing a subsidiary in New York. We are hiring teams out there on a consulting basis. So, that's working out pretty well to us. We want to grow. We want to grow at 30%, 35%, 40%, which we are on the road to grow and which I do believe is a healthy growth rate for, let’s say, CAGR for any company. But in the greed to grow at -- grow top lines that 100% and 200%, we may just fall flat two years down the line.

So, we are going to be doing a wait and watch game for the next six months to a year, especially on the acquisition side, before we take any wrong decisions, which could impact us negatively after two years’ time.

Rahil S.: So, don't you think like once business stabilizes and then you have a sort of a good outlook, a little bit ahead into the future, let's say, two years or three years down the line or maybe more. So, don't you think when you say that AI, you don't -- I'm not sure how AI will work for the industry and how it will disrupt whatever, but then it's going to affect everyone, right?

So, don't you think an acquisition with a good key value proposition, which kind of suits your business, will also adapt along the same lines how everyone will and then be a sort of like a safeguard?

Abhishek More: Rahil, you did not hear me some time back when I said that AI will not disrupt VFX, just VFX or it's not going to reduce the VFX. If AI were to disrupt filmmaking, it will disrupt the process of filmmaking altogether. So, like if you saw the, like I just gave an example of Mahabharata, recently the JioHotstar has created, the whole series is AI. There is no filming, there is no VFX. It's not that VFX is reduced, there is no VFX in that. The whole series was AI.

Now, I don't -- we don't want to be sitting with teams of 100 and 200 people in the US and Europe, where the VFX is either reduced or disrupted. But yes, we are not averse to acquisition. Obviously, any company grows two ways, right? Inorganic and organic, both are there. Currently, we are looking at organic. Inorganic is not something we've never been averse to inorganic.

Like I said, we own other listed companies. We have a listed company called Karora & Wild, which is owned by my family as well. That's a 25-year, 30-year-old listed company. We've done several acquisitions there. So, we understand. So, we see -- we are -- we come from a well-established business family.

We know how to run businesses. We know when it's the right time to acquire. And why should we acquire, right? So, acquisition is not just to improve turnover and profitability. There's got to be a strategic reason. There's got to be some strategic benefit to acquire. Either that company has captive clients, either it has some technology that will help.

Because otherwise, if you're acquiring a company just on the basis of their sales team, tomorrow if their sales team leaves, what do you do? You're left with nothing. Then you're acquiring it for the people and people are -- can move around here and there. So, there's got to be some strategic mode, some strategic advantage for an acquisition to happen.

But yes, we have our eyes and ears open. Not that we are -- we have -- we are averse to acquisition. It's just that we are not aggressively looking for an acquisition right now for the next six months to eight months at least.

Moderator: The next question is from the line of Garvita Jain from Seven Islands PMS.

Garvita Jain: Hello, sir. I have two more questions. One is, if you could please tell me what is the use of QIP proceeds we are going to have? Like, is this going to be only for working capital or any debt reduction we are planning, because we have approximately INR40 crores of debt in the sheet?

Abhishek More: Yes. So, we've already announced that earlier as well, Garvita. So, out of the INR45 crores we raised, around 5%, 7% goes in your fees and all of that. So, let's say, hypothetically, we're left with around INR42 crores. INR20 crores is what we plan to use for debt reduction, which will strengthen our balance sheet, reduce our interest cost substantially, which will then eventually also lead to a PAT increase automatically.

Because as your interest costs reduce, your PAT goes up. So, to answer your question, INR20 crores out of our fundraisers is what we plan to use for debt reduction and the balance towards working capital, primarily towards expanding our European and US presence in terms of manpower and production teams and all of that.

Garvita Jain: Okay. And, sir, how much is going to be the promoter's stake post-QIP?

Abhishek More: Okay. The QIP happens based on certain market pricing. But, yes, to just to approximately give you an idea, a promoter would be at approximately 48% post-QIP. But, like I also mentioned that immediately after QIP, the promoters are going in for a INR20 crores promoter warrants. That is obviously an 18-month process, but that signals that the promoters are invested in the company. And as per our calculations, post-promoter warrants, the promoters would be around 56%, 57%.

Garvita Jain: 57%, right?

Abhishek More: I'm sorry. It's right. I don't have that figure in front of me. So, please don't quote me on that. But approximately, yes, 56%.

Garvita Jain: Approximately 55%, 57%.

Abhishek More: Post-promoter warrants.

Moderator: The next question is from the line of Adish Pandey, an individual investor.

Adish Pandey: Yes. Just one follow-up question to the previous one. So, when do we expect the pledging percentage to come down substantially? I know that some part of the QIP will be used for that, but when do you foresee that coming down to zero ideally?

Abhishek More: Sorry, what percentage? Percentage of what?

Adish Pandey: The pledged percentage right now.

Abhishek More: Oh! Immediately after the QIP.

Adish Pandey: Okay. It will come down to zero, right?

Abhishek More: It's not really zero. Okay. Okay. I'll just tell you this. So, we have two options out here. One is...

Adish Pandey: Okay.

Abhishek More: So, in the pledged loans that we have, one is a low interest loan, which is technically due in February, in which a portion of the pledge is there. Some of the loans are high interest. Now when I say high, that means they're not like, when -- for us, even 18% or 20% or 22% is high. So, yes. So, that is... So, some of the loans are that.

So, those will obviously be knocked off first. Then we'll be doing a balancing and checking whether it financially makes sense for us to carry that low-interest loan and pay that off in

February to unpledged that or unpledged it first. See, because pledged shares do not negatively impact the balance sheet of a company anyway.

What we have to look at is what loans do we clear first that is going to impact the balance sheet positively. So, any of the loans which have a higher interest than that one loan, which has some pledged shares, if we need to clear those off first, we will. But in general, all our loans that involve a pledge get over by February 2026. So, under any circumstance, by end of February 2026, we'll be, let's call it pledge-free.

Adish Pandey: Understood. That helps. Thank you. That is my only question.

Moderator: Thank you. The next question is from the line of Pradeep, an individual investor. Please go ahead.

Pradeep: Sir, what is our current run rate of this fab.com and brand jingle and then this Kaise Banta Hai ATC, monthly run rate or quarterly, whatever?

Abhishek More: So, fabs.com, we are average doing the last that I saw was around, I think, so maybe three or four days back. We are doing average of INR5 lakhs to INR6 lakhs a month. Right now, we've touched that. But that also we are doing with around 130 virtual production assets of ours. We have to upload another 120 odd virtual production assets because when you say you have to upload, that means when we have created these virtual production assets for our platform, there is a certain method that they have created.

When you have to upload them on unreal engine's fab.com, they require certain changes. So, typically, our team is right now changing approximately two assets per day. So, uploading two fresh assets on unreal engine per day.

So, assuming we were to finish the entire upload of the next 120 assets in the next three months' time. So, by the end of December, we should be comfortably touching a revenue rate of INR10 lakhs to INR12 lakhs, maybe INR15 lakhs a month from fab.com. Today, we are doing around, like I said, INR5 lakhs odd per month from fab.com.

Brand jingles, we are currently averaging between India and UAE at an average. For that, it will be a weekly average, actually, not a daily average. But yeah, so, it's more of a weekly average.

Around INR 3 lakhs, INR3.5 lakhs a week is what we are doing in terms of brand jingles currently between India and UK. And this is growing substantially because this is a very simple logic business where we are advertising on Instagram, getting an inquiry, and closing this inquiry.

You'd be surprised to know that we are actually experiencing an ROAS, which is Return on Ad Spend of anywhere between six to eight on brand jingles, which is among the highest in the industry. Online businesses, if they get even, three or four ROAS, they are very, very happy. So, that is the impact of our advertising. And we do believe we have the right strategy to reach out to potential clients. Does that answer your question?

Pradeep: Yes, and Kaise Banta Hai in the end of this?

Abhishek More: Kaise Banta Hai? Our shows are not monthly. You know, we open up a season. So, typically, we've just filmed 20. So, we've locked in 30 clients for Kaise Banta Hai. So, our shows, how that works, how the payment terms for our shows work is 25% the brand pays us on signing up with us. 50% they pay us once the shoot is complete. And 25% they pay us once the show goes live on JioHotstar. So, it's not really a month-to-month, you see.

I can't say this month, but it fluctuates. You know, certain months, we close more brands in our shows. Certain months, we close some lesser brands in our shows. So, that is more. So, this year, we should do a revenue, Digikore revenue of around INR10 crores to INR12 crores odd from our branded content shows.

Pradeep: And one more question. So, out of this, I think 50% will be in H2, correct?

Abhishek More: I'm sorry?

Pradeep: Out of this INR10 crores to INR12 crores, 50% will be in the H2?

Abhishek More: Partially, actually, no, we haven't done. So, a lot of now. So, let's say the first 20 episodes of Heroes that have gone on air in last week, even those episodes get 25% will come in H2. So, we actually, we've done a little less. It's not 50-50. It's not H1 versus H2 50-50. If we're doing around, let's say, to make it simple, if you're doing around INR10 crores worth in the financial year, percentage wise, you would have booked around 40% of that in H1. So, in H2, the revenue will actually be a little more.

Pradeep: Okay. Okay. Okay. And one last question. What is the impact of this Trump tariff? So, is it happening or currently what is the impact?

Abhishek More: Trump tariffs cannot be applied to services, firstly. There is no way you can tariff services. So, everybody...

Pradeep: Indirect impact.

Abhishek More: Right now, we have no indirect impact on the business at all. Zero. Zero indirect impact. We also briefly mentioned about tariffing Hollywood and productions that are filmed outside, which is nonsense. Technically, you can't do that. There is no system in the world that will allow him to do that.

So, that was one day he woke up from a dream and said that, and we all know how Trump is. He can say anything. So, yeah, but that's not going to...Technically and even system-wise, it's not possible to tariff services. So, that won't happen. And indirect impact on the current tariff, nothing has happened so far.

Pradeep: Okay. Sure. Thank you.

Moderator: Thank you. The next question is from the line of Prabhat Kumar. Please go ahead.

Prabhat Kumar: Hello, sir. Congratulations for a great set of numbers. And my question is regarding that why are we expanding or why are we focusing more on the Europe side? Means, are we getting more contacts from there?

Because recently, Phantom has opened their studio or whatever office in China. And recently, a movie in China has grossed, I think, more than INR16,000 crores. So, are we also thinking in that direction that we should open our studio or office in China? Or is there any adverse impact for us?

Abhishek More: No, no, no, no adverse impact, definitely. Like, you know, we've, US, we are already well entrenched. Now we are spending the next 3 to 6 months in entrenching and getting in substantial business from Europe because Europe is a much larger pie when it comes to VFX than China, for sure.

The amount of work we can get from Europe, you know, we may not get even one fifth of that from China. We have worked on Chinese productions in the past. They are very much like Bollywood, where the margins are extremely low. We've worked on several Chinese films, and several Chinese shows in the past. So, not that we don't look at China as a market, but honestly, it's like Bollywood, the margins are extremely low.

But yes, after our Europe focus for the next 3 to 6 months, which we have our next absolute sprint, like we call, we call these whole Europe things a 6-month sprint where we are going to go, you know, bang on and go all guns blazing into Europe.

Our next sprint is going to be Asia, which is not really just China, because if you ask me, bigger than China, the opportunity for India lies in South Korea. The South Korean content market is booming. South K-dramas, you know, the South Korean shows, the South Korean movies and TV shows, they're absolutely booming.

So, South Korea and China are markets. South Korea definitely pays better than China. So, we are more going to be aggressively targeting South Korea, because we want to go into margin businesses, not just value, but also bottom line should not suffer.

Prabhat Kumar: And, sir, my next question is that, are we also going to, because we are more focusing on Europe and Europe, and so, is there in any way, because of Trump's attacks, our revenue is going to suffer, or are we, our focus is on USA also or not?

Abhishek More: So, see, US, obviously, we have a focus, but like I said, we are going aggressive on Europe. In fact, our goal is to, you know, so far, almost 100% of our revenue used to come from US. Now, we've come to a sizable revenue from Europe. And by the end of this year, I would like to think that Europe would be equal in US in terms of revenue mix for us, which is very important.

Now, whether, the tariff will impact us or not impact us, the only way the tariffs impact can impact us is if US goes into a recession. Now, if US goes into a recession, everybody will get impacted, not just our industry. So, just by tariffs, there is going to be no impact on the film industry or VFX industry.

But if the US were to go into a recession for any means, then the whole world will get impacted, every industry in India will get impacted, not just VFX. But we are already protecting ourselves by going very strong in Europe by diversifying into our other verticals like branded content, AI, SaaS businesses, and all of that. So, we are doing everything it takes to create a moat around the company and reduce our dependencies on the US market, US VFX market.

Prabhat Kumar: Okay, thank you, sir. All the best.

Abhishek More: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. We have reached the end of the question-and-answer session. I would now like to hand the conference over to Ms. Ruchika Shah for closing comments.

Ruchika Shah: Thank you. And on behalf of Digikore Studios Limited, I sincerely thank all our investors and analysts for taking the time to join us on today's earnings call. Your trust, interest and continued support mean a great deal to us. We look forward to growing stronger together and keeping you well informed on our journey ahead. Thank you and once again for being a valued part of our story.

Abhishek More: Thank you, everyone. Really appreciate the time that you spent on the call. It must have been a busy day, so really appreciate the time you took out. Thank you, everyone.

Moderator: Thank you. On behalf of Digi -- yes, sir, please go ahead.

Abhishek More: No, sorry. I'm good. Are we okay to disconnect now or…

Moderator: Yes, sir. Okay to disconnect. On behalf of Digikore Studios Limited and EquiBridgeX Advisors Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.