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'The real aspiration for movies & growth of screens lie in tier-2 and -3 India'

Q&A

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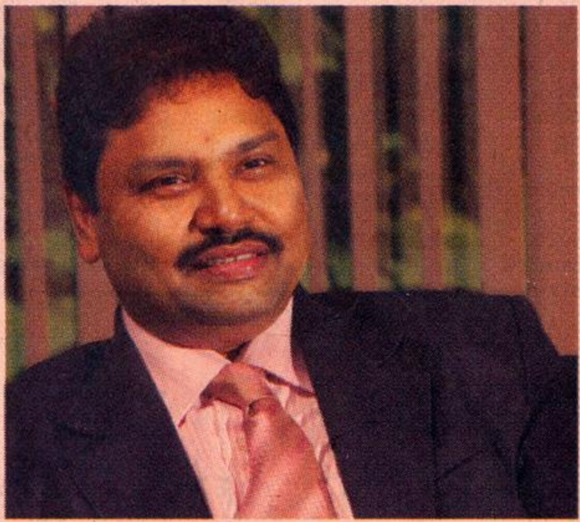
In 2005, when Hollywood was still debating standards, a handful of Indian companies started rolling out digital cinema. They seeded theatres with digital equipment in return for revenue share, a unique solution that made India one of the first in the world to digitise. The ₹572-crore UFO Moviez, now at 6,674 screens globally and 5,052 in India, was among the first few. As it grapples with issues of scale and profitability like the rest of the industry, founder **SANJAY GAIKWAD** shares his insights with **Vanita Kohli-Khandekar**. Edited excerpts:



UFO was one of the earliest digital cinema roll-outs in 2005. What has digitisation done to the Indian film industry?

Digitisation has helped significantly. The big releases have moved from 500-600 to 5,000-6,000 screens. The top five films used to get ₹200-250 crore in box-office collections, now it is closer to ₹1,000-1,500 crore. So, digitisation has helped because it brought a real value proposition. From ₹70,000-80,000 for a print, now the average cost is ₹12,000-15,000. Earlier, because only few prints were being released, movies would reach smaller towns later. Now same-show releases happen across India. The vicious cycle of piracy caused by staggered releases across the country has been broken. One of the biggest challenges was the de-growth of screen supply. In 1993, there were 13,000-odd screens, which fell to half before rising again (because of multiplexes and digital screens). Investment in content (films) has increased. From 800-900 films, we are now making 1,800-1,900 films. Regional movies get more space.

The big challenges?

India has 8,500-9,000 screens, of which 6,500-7000 are single screens and 2000-2,500 are multiplex screens. So we are roughly at one screen per 150,000 people. The US is one per 7,000 people, China one per 35,000 people. Even to reach one per 50,000 people, we will need 20,000 more screens. Also, the screen concentration is skewed towards the main metros. There are more multiplexes in the top 70-80 cities. Though the figure of 3 billion tickets is thrown about, the real number of tickets sold in India is closer to 1.8-2 billion. Of these PVR, the biggest chain, sells 60-70 million. If we extrapolate that, 250-300 million tickets are sold across big cities. That means about 1.7 billion tickets are sold in tier-2 & tier-3 towns (2 billion minus 300 million). That is where the real aspiration for movies lies. The supply of screens for these 1.7-billion tickets is at ₹40-45 a ticket. Aspirationally, they could pay ₹80-100. But there are no avenues. In the last few years, supply-side investment has started.

What is UFO doing to increase the supply of screens?

We get our primary growth from advertising (UFO gets 28 per cent of its revenues from selling advertising on its network of screens. This is the fastest growing part of its business). So the shortage (of screens) hits us, too. In four-five years, UFO's growth will come from advertising and for this we need to create media.

After a lot of research, we have launched Nova Cinemaz. It is an asset-light franchisee model. It tries to develop screens through renovation, brownfield or greenfield routes. Under Nova, screen renovation for conversion of single screens to two-screen multiplex will incur approximately ₹1-1.5 crore per property, depending on the condition of each single screen. This would help them increase ticket prices from ₹50 to ₹100 and occupancy from 15 to 25 per cent or more, leading to a revenue increase of two-three times. We plan to renovate 400-500 screens across India over three-five years. (UFO will make its money from a revenue share).

The Nova brownfield project identifies shopping areas across tier-2 and -3 towns, where two-screen multiplexes could be put up by franchisees based on our design and equipment. We will also be offering to invest 20-25 per cent of the capital. In the last three months, we have signed up eight franchisees in Punjab and Rajasthan.

Under greenfield, we are working with a real estate and regulation partner to work on a design that can be standardised across the country. This is for a pre-engineered building that can be put up in three-four months, a bit like the US strip malls. The biggest issue with scaling up screens is getting approvals. So we are doing a pilot in Shahpur in Maharashtra and Doraha in Punjab. It is a 400-seater, two-screen multiplex on 4,000 sq ft. It will house retail and food courts, too. We are working with the government for a one-window clearance, which is easier for a greenfield project.

The first approval will take time. But because it is a standardised design and roll-out, the second time onwards, it will be one-window system. Nova should help create 1,000 screens a year, three-four years down the line. That 20,000-screen growth can only happen through fragmented growth from all sides, not because one or two companies are doing it.

Next: The low-cost screen warriors