

BW BUSINESSWORLD

T

HE GROWING DIGITAL CINEMA market in India got a big boost recently with the merger announcement of two industry veterans: Mumbai-based UFO Moviez, which was listed on the stock exchange a couple of years ago, and Chennai-based Qube Cinema, a veteran in film, video and audio technology.

leader in multiplex business.

“The combination of both companies will unlock their latent potential considering the existing and future entertainment and advertising market dynamics in India and globally,” says Sanjay Gaikwad, founder and managing director of UFO Moviez. “Both companies believe that after the proposed merger, the combined entity will emerge as a more commercial and technology driven organisation and lead to robust growth opportunities, thereby, adding significant value to all stakeholders,” he adds. As part of the deal, UFO will also purchase a stake in Qube Digital from private-equity investors who have been shareholders of Qube. UFO and

founded almost two decades before UFO Moviez, in 1986, and has over 30 years of experience in film, video and audio technology. UFO Moviez operates India’s largest satellite-based digital cinema distribution network using its UFO-M4 platform, as well as India’s largest D-Cinema network. As on 30 June, 2017, UFO had 5,390 digital screens in India across 1,422 cities and towns with seating capacity of 2.2 million capacity per show. For its in-cinema platform, UFO had 4,032 in-cinema advertising screens with an average weekly seating capacity of 51.6 mn. Whereas Qube provides technology solutions and services in the film, video and audio domain, including digital cinema. Its

DOMINATING FORCE

Digital cinema distribution and in-cinema advertising will get a big boost with the merger of BSE-listed UFO Moviez and Qube Cinema Technologies **By Ashish Sinha**

After the merger, the combined entity will have 7,300 screens across India with a seating capacity of 95.5 million per week. This includes the multiplexes and the single-screen theatres across the country. The significant outcome of the merger is the combined dominance on the crucial business coming in from the multiplexes. Together, UFO and Qube would have 2,265 multiplex screens on their advertisement network, a shade short of PVR, the market

Qube Digital will have a stake of 63.6 per cent and 36.4 per cent, respectively, in the merged entity.

A Closer Look

So what’s driving the merger? In order to better understand the answer, it is pertinent to know the history of the companies.

UFO Moviez, founded in 2004, is a digital cinema distribution network and an in-cinema advertising platform. Qube, on the other hand, was



mastering facilities are located in Chennai, Mumbai, Hyderabad, Dubai and California and has a capacity to master over 40 films/week (mastering films simply means adjusting the audio/video to pre-decided technical specification for theatre/broadcast, etc.). As on June 2017, Qube had 3,300 digital screens in-cinema advertising screens with an average weekly seating capacity of 43.9 mn across India. Therefore, the merger of the two entities operating in similar line of work makes sense.

UFO currently uses MPEG4 technology for transmission of content into e-Cinema theatres whereas Qube uses MPEG2 and has also developed its own DCI-compliant servers.

“Going forward, it is expected that the combined entity will develop and deploy both D-Cinema and e-Cinema systems that incorporate the best features of the multiple technologies available to the company and will thus be in a position to offer clients: the film industry and advertisers a comprehensive bouquet of services,” says Gaikwad. Senthil Kumar, co-founder of Qube Cinema, says the combination of the proven business models of the two companies will be extremely

beneficial. “UFO’s strengths combined with Qube’s would position the combined entity to deliver long-term growth at a faster pace,” he adds.

The two companies also have complementary geographical strengths; with Qube having a deeper penetration in South India and UFO in the rest of India, the merged business will be able to offer a pan India in-cinema advertising network covering over 7,300 screens. The companies also have complementary strengths in

UFO's strengths combined with Qube's would position the combined entity to deliver long-term growth at a faster pace



terms of client base, presenting attractive cross-sell opportunities. Further, the proposed merger will bring about synergies of operations and benefits of scale by minimising the duplication of administrative functions, combining some infrastructural requirements and unifying legal and regulatory compliances, says Gaikwad.

Qube has developed a self-service single-window content and digital rights management platform for movies called Qube Wire. This service, currently in the process of commercialisation, is in operation on a limited-scale serving select clients. UFO, in addition to its screen network in India, also has a network of screens overseas. The combined network, post-amalgamation, will allow faster monetisation of Qube Wire and other IP based Qube products, both within India and internationally. The combined entity is also expected to leverage ICICI Venture’s significant prior experience as a private equity investor in new age businesses, including media and technology. **BW**

ashish.sinha@business-world.in *@ashish_BW*