



## UFO Moviez targets Rs200 crore in ad revenue by year-end

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**New Delhi:** For a business that started with the idea of paying cinema exhibitors to use its distribution services to one that now charges them, UFO Moviez surely has come a long way.

UFO Moviez, founded in 2005, is a film distribution company that reaches movies even in remote areas through digital technology. In 2015, digital cinema distribution network and in-cinema advertising platform UFO Moviez recorded Rs.154 crore in advertising revenue. This year, with more than a 1,000 advertisers, 3,748 in-cinema advertising screens and Rs.50 crore in ad revenue in its second quarter alone, the company targets a 30% growth and a revenue of Rs.200 crore by the end of the year.

Unlike a physical film print, the company compresses and encrypts the digital mastercopy provided to it by the producer and uplinks it to theatres around the country and the world via satellites. Digital servers present in theatres, on the other hand, receive a licensed code to be able to unlock the servers and play the film. To reach out to exhibitors in 2005, UFO had to identify non-release centres and offer to install its digital projectors and servers alongside the original analogue projectors at its own cost, on condition that the theatres would pay UFO only when they used the system.

All that has changed now and the company has become profitable. “We have three streams of revenue—one from the exhibitor, another from the distributor and the third is our media or advertising revenue,” said Sanjay Gaikwad, managing director of UFO. The last of these, Gaikwad admitted, is at a very nascent stage since digital distribution didn’t exist earlier, whereas organized cinema chains such as PVR and INOX have been making money from advertising for a while. But as the scale of film releases with digital prints grew, UFO’s box office collections grew as well, and it started charging exhibitors a fixed monthly fee to encourage the use of its equipment.

Currently, the company is focused on building its ad revenue through synergetic businesses. The first of these is a hyperlocal exercise called UFO Framez aimed at meeting the marketing and promotional needs of local retailers and business owners referred to as direct sales associates (DSAs), who are in charge of advertising for the 4-7 UFO screens in their respective geographical areas. There are currently 330 functional DSAs across India and in 2015, about 2,000 brands tied up with the UFO network through the initiative.

“We have an initiative called Cinema on the Wheels or Caravan Talkies for media-dark rural areas where we cover 14 villages on one route, showing them two movies a month free of cost,” Gaikwad said. The caravan takes mobile screens and projectors to villages playing sundown shows eight to nine months a year and is currently looking at 300 routes across the country, excluding south India.

“Then there is a long-term franchise called NOVA CINEMAZ which is a two-screen brown-field and green-field project for a 350-400 seater program in tier-two and tier-three towns to address issues of screen density,” Gaikwad said. The company that unveiled the first of these standardized theatres in Punjab last month is targeting close to 2,000 screens by 2020 and will be investing Rs.15 crore to set up at least 20 screens in non-metro regions by next year.

UFO Moviez now operates 5,055 digital screens across 1,943 locations in the country and 1,675 screens internationally. Gaikwad said the company was founded when the film business was caught in a vicious cycle—cinema exhibition was carried out in analogue mode and because of very high cost of prints, movies would release in a staggered manner leading to indiscriminate piracy that diluted the commercial value of the film. On the other hand, an exhibitor who didn’t get a movie in the first week of release was tagged as a non-release centre.

UFO gave a platform business that was a win-win for producers, distributors as well as exhibitors.

Firstly, it spared the exhibitor of the responsibility of investing in and maintaining projection equipment. Since its business involved encrypting and compressing the digital mastercopy of the film provided by the producer, it also created a unique model called pay per show. “We digitize the films and deliver them to theatres also,” Gaikwad explained. “The satellite receiver receives the movie which then gets stored on the server. But it is under lock and key. Every server has a smart card in it. The distributor sends us a list of the theatres in his territory and the number of shows they have been contracted for. Once we issue the license which again goes via satellite, it goes into the smart card and the exhibitor is able to conduct the show.”

The distributor and exhibitor no longer required film prints. The theatres paid only when the show was held and they got their revenue from the box office share. Consequently, the show charges came down to Rs12,000-14,000 instead of the Rs60,000-70,000 paid for physical prints.

“Because we removed the upfront investment for distributors, we helped them go widespread and have pan-India instead of staggered releases. This low cost of distribution has taken them to undiscovered markets where they never saw revenue coming from,” Gaikwad said. “Secondly, since we were doing satellite deliveries, it was fully secure. Earlier, the reels moving from one place to another could be scanned and copied.”

Rakesh Gowthaman, managing director of Vettri Theatres, Chennai, however, said UFO already has competition in the south in the form of digital cinema server Qube Cinema, a subsidiary of Real Image Media Technologies. “The only issue was, the analogue thing never failed. There never was a show break at all and even if there was a small issue, it was rectified because the whole thing was so simple. With digital projection, the fear is what if it fails,” he said.

“They (UFO) are definitely the primary player in terms of market share,” said an analyst with a global consultancy firm, on the condition of anonymity, adding that digitization has played a huge role in changing the movie ecosystem, bringing in box office growth and marketing spends. “But since India is almost 95% digitized now, they have to, as they say themselves, focus on advertising or look at price increases.”