

## THE ECONOMIC TIMES

### **Minute utilization and pricing to lead to revenue UFO Moviez growth**

In a chat with ET Now, **Kapil Agarwal**, Jt MD, **UFO Moviez** says, combination of minute utilisation and pricing will lead to revenue growth. Edited excerpts:

**Do you think that this kind of bottom line growth that you have posted will be able to sustain?**

Our advertising business which has been growing rapidly at the rate of 30% and in the last four years it has grown at 44%. Now the contribution of the contribution of the ad business to the EBITDA margin and the bottom line, to the EBITDA margin it is almost 55% and that 55% EBITDA margin business after taking care of increase in expenses and drop in other revenues it still puts an upward pressure on the EBITDA margin and the PAT margin. So we expect to see consistent growth in the EBITDA margin as well as in the PAT margin in future.

**What really drove your margins in Q2, are you confident of sustaining this 30% plus margin level?**

Absolutely. This is the fifth year in a row that we are delivering 31% plus margin. So right from 2013 to 2016 consistently it has been above 31% and this year also although in Q1 it was slightly lower but Q2 is almost 35% and the average for H1 is 31.3%. It will start seeing upward growth in future putting further, you know increasing the further PAT margin.

**You were just talking about your ad revenue I just want to talk about that a little more, it is up a good 50% in this quarter so I guess you are well on your way to meet the 30% ad growth target that you had set for FY17. What exactly will drive this?**

You see the ad business in 2012 we were utilising only 1.66 minutes of our inventory and that minute utilisation has been consistently going up. Last year in 2016, FY2016 it was 4.25 minutes, this quarter it has been 5.15 minutes and an average of 4.52 minutes in H1. So consistently you know it has been our stated policy and we have always been mentioning in all our interactions that consistently we are taking the minute utilisation up as well as the pricing slowly we are taking it up, slowly anwe are taking it up, slowly and steadily. So a combination of minute utilisation and pricing that is what is going to the lead to the revenue growth. Although quarter-on-quarter you will see variations because what kind of movies we release in which quarter, which external events like a World Cup might happen in some quarter so the revenues might get diverted but overall last year we gave a growth target of 35%, we achieved 35% although in one quarter it was 7%, in one quarter it was 88%. Similarly, last quarter it was 9.5%, this quarter it is 50.4% but overall it is 29.4% so I think 30% we are confident of delivering a 30% overall growth in this year in advertising revenue.

**I want to talk a little bit about the market share trends, going forward do you think that you can dominate with a strong market share, give us the sales break up and charges to distributors and exhibitors?**

You know so far as market share is concerned, we believe that market shares are fairly stable, they are already determined actually because all exhibitors are bound generally by the long term contracts. These are all mostly 10-year contract with us as well with our competitors. If you see last three or four years we have been consistently at around 55% market share and the balance 45% is divided amongst around three or four players. So we have maintained that lead and we do not see really any threat on that lead. We are confident of maintaining this market share. So far as the charges to the distributor is concerned, the charges to the distributor are fairly fixed, the growth in those-- so we charge on a pay per show basis in the first week and second week, third week onwards we do not charge. And this is a very innovative model that UFO had launched for the first time in India, actually for the first in the world actually it was launched by us that variable fee pay per show model. So we charge a fixed charge on a per show basis. We have been seeing growth in that also because more movies are getting made and more first and second weeks shows are being played and that is there-- digital cinema, our initiative has played a significant role because in 2005 probably 600 movies were released and now 1600 movies are released.