



Coronavirus impact | It's not about losses, it's about survival: UFO Moviez' Kapil Agarwal

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UFO
CINE MEDIA NETWORK
Kapil Agarwal
JMD - UFO Moviez



"The show must go on" – one of the most memorable dialogues of Raj Kapoor's *Mera Naam Joker* is the best expression for all the businesses that are trying to survive the coronavirus pandemic, including cinemas. Theatres were among the first businesses to get hit due to the outbreak. Even before the lockdown was announced, many states had asked cinema halls to shut shop. Experts estimate a loss of Rs 800 - 1,000 crore for every month of theatre shutdown.

However, Kapil Agarwal, Joint MD, UFO Moviez, a digital distribution cinema network and an in-cinema advertising platform, said that it is not about losses, it is about survival.

"For the current financial year, we are only looking at cash management. The question is of survival right now because revenue is zero," he said.

To survive for as long as six to nine months, UFO Moviez has brought its expenses down by 74 percent. One of the ways to do that was by cutting salaries. Senior management has taken a salary cut of 50 percent, while employees in the lower income slabs have taken a 10-20 percent salary cut.

"MD and I have taken 100 percent salary cut. So right now, it is not about P&L; it is about how the show should go on," he said.

He also gave the example of AMC theatres – the largest movie theatre chain in the US – which is on the brink of filing for bankruptcy.

"AMC has said they won't be paying rent and have furloughed 24,000 of its employees in the US," Agarwal said.

The situation is no different for exhibitors in India. "For the exhibitors, rental is the single biggest cost, followed by salaries. Exhibitors have cut salaries by 30-40 percent. As for rentals, they are still negotiating. Theatre chains have appealed to the government to waive off rents," he said.

Agarwal told Moneycontrol, "While all the contracts which are between landlords and exhibitors have Force Majeure clause, in some contracts it is strong and in others it is weak because the clause was never used in last 20-30 years. Multiplexes have urged the government to clarify that this is a Force Majeure event so that there are no disputes. However, there has been no announcement yet."

Along with mounting losses, there is no certainty when the cinema business will revive.

"While the lockdown has been extended in India, it has no impact on theatre industry as we anyway estimated that cinemas will not open till end of June. We were anticipating more than three months of shutdown.

"Even after theatres open, people may not go to crowded places like cinema halls. While cinema chains are talking about social distancing in theatres by filling only 40 percent of their capacity, it will take another three months in our view to bring back consumer confidence," Agarwal explained.

He said that theatres are set to lose business for a good six months, and it is going to be zero for at least three months – March to June.

"In the next three months, if and when cinemas open, business will be negative because expenses will go up and footfall will be lower. October onward, business could get better, especially in November and December, which is also the peak season. A lot of big movies will be bunched together for releases because no big movie will release until June," he said.

According to Agarwal, in the last 23 years, this is the first time when cinema chains across the country have been shut for as long as 40 days.

While these are unprecedented times, exhibitors have to get back on their feet whenever the situation normalises. At that time, one major focus could be in-cinema advertising.

"We, along with theatre owners, will be concentrating heavily on cinema advertising," he said.

However, he pointed out that for FY20, central government advertising was absent.

"In our overall mix, 50 percent comes from the government and the remaining from corporate. Out of the 50% that comes from the government, 35-40% comes from Central government which was absent this year. Hence, cinema advertising has taken a beating in FY20. Also, corporate advertising saw marginal growth," Agarwal explained.

In the last five years, government advertising has been growing consistently, and in FY19, it was at its peak.

To bring back this revenue stream, UFO Moviez and exhibitors have appealed to the Centre to support the theatre industry via advertising.