



The need of the hour is to think out of the box and wear our innovation hats, says Kapil Agarwal – JMD, UFO Moviez



Kapil Agarwal
JMD - UFO Moviez

Part -2



Founded in 2004, UFO Moviez India Limited is an Indian digital cinema distribution network and an in-cinema advertising platform. It operates a satellite-based digital cinema distribution network using its UFO-M4 platform and D-Cinema network. UFO Moviez is a company in the business of electronic delivery of digitized full-length feature films and content in theatres via satellite. UFO has also contributed to the revival of single-screen cinemas in India and its secure technology has

substantially reduced Piracy. UFO has ensured that audiences have 'day of release' access to films everywhere. UFO Moviez claimed to have released more than 11,000 films in 22 languages, on its UFO M4-Platform & DCI Network and has conducted over 21 million shows

The nationwide lockdown has severely impacted all segments of the economy, and more so for the cinema exhibition industry as theaters shuttered across the country. Cinema is an out of home entertainment option, the film industry has been significantly impacted and will take the longest time to recover.

The leadership team of UFO acknowledges the current crisis and its challenges and are determined to ensure that every employee down to the frontline/lowest level is protected and does not lose his/her livelihood. Considering the above & as part of its long-term business continuity plan and for the physical and mental wellbeing of employees, UFO Moviez, India's largest cine media network, has decided to forego 100% salaries at MD, JMD level. Apart from this, the entire Leadership team at UFO has taken salary cuts going up to 50-60 % salary so that each and every member of its team is taken care of and will continue to do whatever it takes to ensure the wellbeing of its team and the society at large.

In part 2 of the interaction MediaNews4U spoke to Kapil Agarwal – JMD UFO Moviez, on the company's long-term survival strategies to insulate the company from such unforeseen events in future. The measures are taken during the lockdown and the positive changes that will be implemented in many organizations.

Is your industry expecting a financial package from the Government?

We as an industry have appealed to the government and that is why we had this meeting with Prakash Javdekar – I&B and Piyush Goyal – Commerce together, the whole film industry and the administration sector were present and we have made a very strong appeal.

The issue for the government today is on controlling this pandemic and giving relief to the downtrodden and the ones who don't have food on their plates. But we hope and pray that industry gets the relief because

there are very few companies like us. UFO is one company, we moved early on in March and we planned and we curtailed our expenses by 74%. We curtailed our expenses to the extent that if the next six to nine months we see no revenues we will be able to pull it off as we have our backup. We are not bothered about our P&L at this point, we are just looking at the cash flow.

The question is how many companies will be able to take this hit, the government needs to support the industry with cash, it will be difficult and my fear is that if the government support does not come soon many companies will go bankrupt and shutdown. This will add to the number of people jobless post-COVID 19, for this reason, cash support is imperative. We are hoping that the government is able to pay attention to this side also so that more retain their jobs.

What will be the strategy for stakeholders especially for exhibitors and distributors post COVID-19 and what kinds of strategies will you implement now?

That is a good question, we have already started thinking on these lines as we have to do two things. What we have done in the past the last 15 years, we were the first company in the world to launch delivery via satellite.

Now, we will be the first company to start charging from the producer on day per show basis, which earlier he invested in 60 to 70,000 in reels. These were the two innovations we launched in 2005 – 2006, from then to now have changed the face of the film industry which was 50 to 60 prints now to nearly 2000 screens because it is digital and pay per show and the exhibitor does not have to invest in upfront cash. This is the main reason you are hearing about 100 Cr, 200 Cr, and 400 Cr clubs. I think we were the major contributors to changing the face of the industry. But having said that, we are completely dependent on this industry, distributors, the exhibitor and the creators from wherever the money comes and on advertising and it is in our interest and in the interest of the film industry that it comes back to its heels as quickly as possible.

Therefore, we have started rethinking our business continuity plans and reviving the film industry, we are already working on some innovative products, for example when a big movie releases, the distributor tells the theatre owners, whenever a big banner movie is to be released to give 2 or 3 lakhs rupees in advance. The problem is there is an insecurity on both sides, the Producer and the Exhibitor, whether there will be enough cash left to pay. Secondly, he's not sure how much the movie is worth because the biggest actor movies and the biggest banner movies have flopped in the past.

There is insecurity on both sides, how do we reduce this insecurity? We are in a very unique position in UFO to reduce the insecurity on both sides, now imagine a situation that UFO is distributing a movie, UFO guarantees to the producer that we will ensure that your money comes into your bank accounts. Due to the technology we are very uniquely positioned where we can tell the exhibitor that instead of paying 2 lakh rupees deposit to the producer, you pay us 20,000 rupees, the way the movie plays, the distributor today gives us the movie we digitize it, we send it to the theater, the movie is under lock and key and we give the exhibitor the license to play that movie. We are in a position as the distributor to tell the exhibitor to pay us 20,000 and we will give you a license for a day i.e. 4 or 5 shows. In the evening do your collections and deposit the money to us the next day and the license will be given again for a day. We as UFO is not taking the risk, the Producer gets his money and the exhibitor gets the film and earns his money. This is the fastest way I can disperse monies between various stakeholders.

We are very uniquely positioned to play that role provided we are distributing the movie. We have already started engaging with various producers, even with the lockdown we can help to now revive and assure your

money as UFO is a very credible company, has a major contribution today in the running of the film industry. People know our strength that once we make a promise it will be kept. Now we can start giving movies to the smallest of the theatres and single-screen theatres to do daily settlements instead of doing a weekly settlement or bi-weekly settlement. I think the time has come that we have to go back to our innovation hat and think out of the box.

That is what we are doing in you know this when the movie releases the producer has to pay us this distribution charge, we can always say that if UFO's distributing the movie we will not charge this money but will collect the money from the box office with the daily distribution

Most of the films are completed by taking loans at a very heavy rate of interest, a movie which was to release in March will now release in October or November and so now for the next six months the Producer has more liability in paying the interest and he is out of cash. Now when we say that you need to pay 2 Cr in advance, which is our business policy, but as there is no cash available, the solution to this is UFO will distribute the movie, guarantee the Producer's cash, we take our monies and we can also take a percentage. We have all those flexibilities, collecting money, lending them the money, and we're converting our upfront cash into credit. If we have control over the cash, and converting that into a percentage of the collection, instead of taking a fixed charge if the movie didn't do well, then this charge becomes very big for them. If the film does very well that is a very miniscule amount. We are already thinking out of the box.

Big Producers who taken the stand not to release their movies on the OTT platforms, but there are certain producers are releasing their films on the OTT platform. How will somebody like you or UFO get affected on this?

Only those movies whose box office collections, anticipating to be 2 to 4 crores. Today if a Netflix or any other OTT platforms offers 5 crores, it makes sense for them. The box office is an economic activity and it is created by the big movies, which create it and not the smaller movies and because they cannot sustain this lockdown and wait for 6 months before their film is released. So the best option for them is to Premier it on the OTT platform.

We did not anticipate this situation, I think when the OTT platforms came three years back everybody declared the death of cinema, the death of multiplexes but it did not happen, footfalls are going up, collections are going up, ticket prices are going up. I think out of home entertainment and going out of home for entertainment is different.

Post-COVID, how will India wake up and get back on its feet?

Well difficult to say but I think as I said in the beginning that life will never be the same again, more and more efficiencies will come in, automation is going to happen. I think automation is not a good deal because there will be loss of jobs. There will be less travel and less stays in hotels.

We will become more efficient, will I go back to the office five days a week? Probably not and maybe I will start going three days a week, I'm almost a 60-year-old not young to adapt to newer technology, we found it so easy to shift to MS teams and the ZOOM calls today.

Post COVID there will be two sets of people who will be greatly and positively affected one are the people with special needs, people who have a great brain and be able to now utilize them because they are sitting at home they don't have to walk, they don't have to go anywhere, more and more rules will get defined.

As I had mentioned the first one week to 10 days we were very confused then the working got organized within the family and within the Office. So now I know every day at 6 pm we have a review call with these four people every week, every day 3 pm we have these new project calls, so the discipline is coming in and we are working more efficiently and more rules will get defined on virtual working.

The second is for women on maternity leave. They used to be given six months off, there was great resistance in accepting them back in the industry, saying that continuity is lost and the job has more challenges now. Today thanks to the lockdown, you can balance your work with home life, personal life and the balance can be created. Many organizations will benefit from utilizing this talent. These are the two areas I identified with which will hugely benefit.