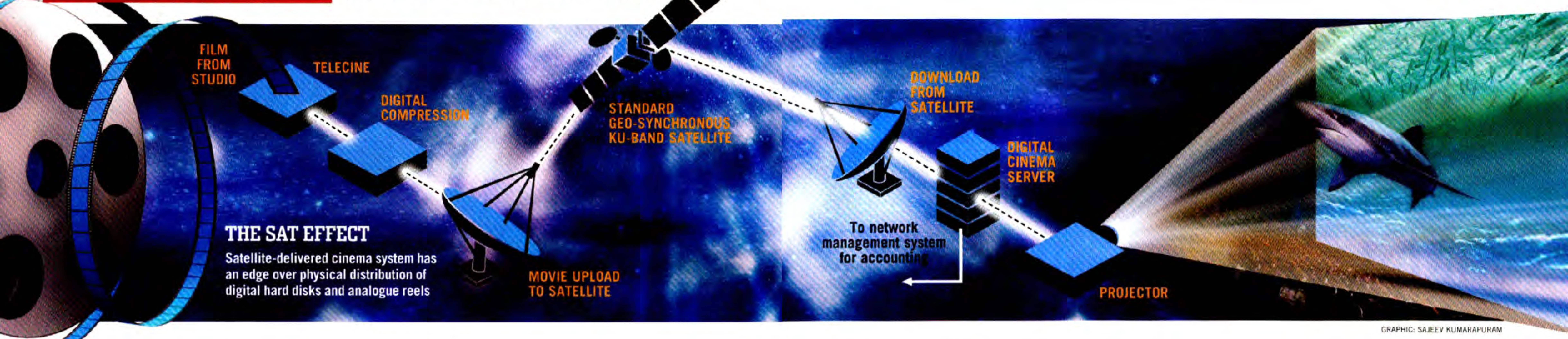

GRAPHIC: SAJEEV KUMARAPURAM

Now Showing: UFO Sightings

UFO Moviez turns a hit maker by releasing films via satellite

by Abhinav Sharma

A FEW years ago, it would have sounded as much of a sci-fi as *Ra.One*. But this Diwali, amid all the hype and hoopla, when the Shah Rukh Khan-starrer began chasing audiences and box office records, an unprecedented 1,403 theatres in India screened the digital format of the movie, brought to them via satellite. It was the widest release yet for the UFO Moviez network. With a total of 3,000 prints, Rs 150-crore *Ra.One* raked in Rs 170 crore in the opening weekend itself — about Rs 68 crore more than *Bodyguard*, whose record it outdid.

Premiered during Eid, the Salman Khan film was also well-timed to lure the masses. But there again, UFO Moviez played a supporting role, hitting 1,300 screens across 70 cities simultaneously, cashing in on the first-day first-show fever, and later.

One among those theatres is in Churu, a remote town in Rajasthan. In 2007, Sanjay Agarwal, owner of Shyam Chabigrah movie hall, went for a facelift, installing UFO's equipment and reducing seats from 723 to 380. The new system sent the digital content to a playback server at the exhibitors' end and beamed films directly to the screen via satellites (see 'The SAT effect').

"Costs have gone up, but collections are five to seven times better," Agarwal says. "We used to charge Rs 20 for a ticket, now it is for Rs 100." It pays to be on a UFO.

And the money is big. Sanjay Gaikwad, founder-CEO of UFO Moviez, realised it during the knockout stage of IPL 2010, when cricket matches were shown in movie halls, in 3D-format. Give the viewers a big screen, a couch to laze and wafers to munch, and the money will flow at ease. Gaikwad now wants to play more in the third dimension. UFO has 100 3D screens; it would go up to 250 in two months and 1,250 by March 2013.

"Our first movie in 3D was *Haunted 3D*, released across 80-100 screens earlier this year," says Gaikwad. The collections from 3D screens were four times that of the 2D version, says Rajesh Mishra, chief executive (India) of UFO. Made at a modest budget of Rs 15 crore, the film exceeded expectations by collecting over Rs 45 crore. The trend is likely to pick up with more 3D films in the pipeline, such as Vikram Bhatt's *Dangerous Ishq*, Shah Rukh Khan's *Don 2* and Steven Spielberg's *Adventures of Tintin*. UFO is also in talks with television channels to bring the finale of large-format reality shows, and to bring educational content and sporting events to the big screen, as an additional revenue to exhibitors.

3,000 digital cinema screens in India are operated by UFO Moviez

It is not just about the third dimension, though. India's digital cinema scene is set to get bigger as half of the over 10,000 screens are yet to be digitised. And with satellite delivery becoming the most scalable technology, there are fresh beginnings to be latched on to. On 23 September 2011, UFO Moviez India, which held 26 per cent in Manmohan Shetty's Scrabble Entertainment, doubled its holding to 52 per cent for an undisclosed sum (Shetty now holds 21 per cent. The rest is held by other promoters Sunil Patil and Ranjit Thakur). For the record, five days later, UFO agreed to invest Rs 200 crore to fund the expansion plans of Scrabble.

Scrabble is into the business of converting movie theatres to high-resolution 2K digital cinema platform. It uses a virtual print fee (VPF) business model to finance exhibitors' transition to digital; it also collects a negotiated VPF from distributors and producers. Scrabble is the only operator in India with VPF rights from Hollywood studios to provide Digital Cinema Initiatives(DCI) compliant solutions that insist on 2K resolution. Formed in 2002, DCI is a joint venture of Disney, Fox, Paramount, Sony Pictures Entertainment, Universal and Warner Bros studios. These Hollywood studios are likely to stop providing analogue prints in a couple of years. With Scrabble, UFO has a presence in DCI compliant content as well.

Scaling up, the UFO-Scrabble combination will increase the number of DCI-compliant cinemas to 800 (single screens as well as multiplexes) within six months from the 300 (that Scrabble has installed in around 30 cities since its inception in 2007). For international markets, Scrabble plans to install around 2,000 screens in two years. Gaikwad says he has sewed up deals for over 600 screens in the West Asia. It will cost around $150 million. With expansion plans far bigger than the available capital, the company, promoted by the Valuable Group, plans to go public in a couple of years.

Digital Divide

From Kashmir to Kanyakumari, and across bustling metros and dusty towns, UFO Moviez is scripting a success story on silver screen.

"The electronic media has brought in the change. You promote the movie to every nook and corner of the country, but you don't have the reels for smaller centres. It gives an opportunity to piracy. We found the culprit was the cost of the print. And from there we got the idea of getting rid of the print and moving to the digital platform," says Gaikwad.

His experience with media dates back to his stint at the Zee Group, where he launched its US and UK operations. He was also the chief operating officer and the man behind the success of Playwin — India's first online lottery.

Digitisation of cinema is not a new concept, nor is UFO its pioneer. Back in 2004, Shetty's Adlabs and Subhash Ghai's Mukta Arts decided to shun traditional print for digital films in hard disks. The Chennai-based Real Image Media Solutions, UFO'S closest competitor, supplies movies to over 2,300 screens, but this is done through both satellites and hard disks. "It gets difficult to send large files through satellite in

SUCCESS FACTORS

SECURE NETWORK
With 192-bit encryption, UFO's is the only digital cinema format on closed group network

PROMPT SERVICE
No delay or disruptions like in physical print delivery, despite wide geographical coverage

LOW BUDGET
Pay-per-show pricing strategy works better for distributors than the existing virtual print fee

LIVE ACTION
The only platform enabled for live events – showcased IPL matches live in 2D and 3D

case of last-minute changes," says Arvind Ranganathan, chief executive of Real Image, which plays MPEG-2 and DCI standards content. He relies on physical delivery (earlier print, now hard disks) in such situations. But UFO manages to deliver MPEG-4 standard content, even with last-minute changes, via satellite with the help of its proprietary technology it acquired from Singapore-based DG2L Technologies.

Of the 5,500 digital cinema screens in the country, about 3,000 are operated by UFO (including Scrabble Entertainment's 300), over 2,300 by Real Image and the rest by Prasad Group (about 200) and K Sera Sera (10-15).

Adopting newer technology is an expensive proposition. UFO uses its own patented technology for installation of equipment in theatres, and bears its cost. For 3D, it could come to Rs 15 lakh per hall. Exhibitors are charged a meagre monthly rental, which translates to Rs 100-150 per show, along with advertisement rights five minutes before the movie and during the interval. "The theatres need not invest in the technology. If you run my system, then you pay me, otherwise you don't," says Mishra.

The pay-per-show model works well for distributors too. UFO charges them Rs 360 per show in the first week, Rs 300 in the second, and no fee from then. In comparison, VPF model has a flat-fee for an infinite number of shows. So, once a distributor goes the VPF way, whether the movie is a hit or a flop, he ends up paying the same amount to the operator.

The pay-per-show model of UFO helps distributor-exhibitor save close to Rs 60,000 per print. "My Rs 400-500 per show translates to only Rs 12-15,000 between distributor and exhibitor, whereas the film print used to cost between Rs 70-80,000 including handling costs," says Gaikwad. While profits for distributors-exhibitors are boosted by this revenue model, box-office collections improve due to date-and-day release of a film in maximum number of centres. "For instance, if a theatre collects Rs 20,000 in a week for a movie released elsewhere 50 days before, when you show on the first day itself, the collection goes up to Rs 2 lakh. We call it time arbitrage," says Gaikwad.

SUBHABRATA DAS

"PHYSICAL PRINTS HAVE HIGH COSTS, SO WE GOT RID OF THEM"

SANJAY GAIKWAD
Founder-CEO
UFO Moviez

Opening Credits

Box office collections of Bollywood further bolster the viability of the model. Satellite delivery of films offers unique advantages like timely delivery to the theatres. "Sometimes, even in metro centres, the print used to reach late because of the last-minute editing changes at the producer's end. So we had to cancel the first few shows and that affected the first weekend collections," says Hasmukh Bhai, director of Gold Cinema. With the changing dynamics of the industry, film budgets are getting fatter and projects are becoming riskier. So the whole profit-making game has shifted from 10-15 weeks of collections to first week, or in fact first weekend collections. This year's first three Rs 100-crore plus earners — *Ready*, *Singham* and *Bodyguard* — were termed hits based on their initial collections.

Since its inception, UFO Moviez has spent close to $40 million on developing technology and operating expenses. "This cost excludes the capital investment, which would be another $40-50 million. As we have 2,700 screens operational today, on an average the investment comes to Rs 7-8 lakh," says Gaikwad. Service revenue contributes about 60 per cent whereas the rest comes from in-cinema advertising. This ratio is expected to reverse in the next two years. With all eyes glued on the big screen, commercials shown during interval have a potential to get maximum attention, and advertisers are working on it. UFO, which has maintained revenue growth of 60-70 per cent for the past three years, turned profitable on an operating basis last year and expects to close this fiscal with a Rs 170-180 crore.

As the lights dim in the movie hall, results of a $100-million gamble fill the screen, and many pockets in Bollywood. UFO is now pegging on the three-dimension wave. Will it give a new G.One to the Indian cinema industry? Wait and watch, first-day first-show.

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