

# Digital Play Makes UFO Moviez' OFS Attractive

## Analysis

Being an early entrant to business, good financials and low debt augur well for co

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**ET Intelligence Group:** Investors may consider subscribing to the offer for sale of UFO Moviez, India's largest digital cinema distributor. Factors like being an early entrant, having a dominant share in digital cinema distribution that ensure stability in revenues, sound financials as well

as low debt also work in favour of the company.

The public issue is an offer for sale by private equity investors — 3i Research Mauritius and P5 Asia Holding Investments, and partly by the promoters.

UFO Moviez derives revenues from three segments: a fee from the movie distributor for delivering digitised prints, rentals of digital equipment to multiplexes to show digitised films, and in-cinema advertising. As of February 2015, the company has digitally delivered more than 8,800 movies in India. Besides India, the company has presence in Nepal, the Middle East, Israel, Mexico and the US.

The company has tied up with 6,626 screens of which 4,911 are in India. The company has 54.4% market share of India's digital cinema distribution market. The

## UFO Moviez

<b>Price Band</b>	<b>Issue Size</b>
<b>₹615-625</b>	<b>₹600 cr</b>

Issue opens  
**April 28th, 2015**

Issue closes  
**April 30th, 2015**



company holds advertising rights for 3,770 screens. In the first nine months of FY15, the company derived nearly half of its revenue from distribution fees, one-fourth from in-cinema advertising and the remaining from rental and other services.

In the past five years, the industry has rapidly adopted digital print technology. UFO Moviez,

being an early entrant, was able to clock stupendous growth. In the five years to FY14, the company's net revenue grew at a compounded annual growth rate (CAGR) of 42.8% to ₹421 crore. It has turned profitable with ₹50 crore in FY14 from a loss of ₹23 crore in FY10.

The company charges the distributor a fee of ₹425 for the first week, per show of a movie and ₹350 in the second week. From the third week, the company does not charge any fee to the distributor. In future, the in-cinema advertising segment would be a key revenue driver for the company. Its in-cinema advertising grew from ₹9.7 crore in FY10 to ₹98 crore in FY14.

At present, the average advertising duration has been 3.3 minutes per show at an average rate of ₹60 per minute.