



UFOs OVER INDIA

by Andreas Fuchs

Over the past year or so, the global exhibition community has become accustomed to talking about accelerated growth of its d-cinema screens. For this special edition on CineAsia, we decided to take a look at how an entire subcontinent has been covered with the help of satellite technology. Granted, the UFO Moviez flying over India are not necessarily all DCI-compliant yet, but the Mumbai-based company makes a more than compelling case, both economically and culturally, that e-cinema deserves a

Mumbai-based Company Beams Moviez Across Subcontinent

firm place in our digital projector hearts. From Oct. 1 to 22 alone, UFO Moviez (ufomoviez.com) installed and connected no less than 66 new sites, includ-

ing very promising-sounding names—at least to this author's ears—such as the Krishna (Sevaliya) and Taj (Bodeli) cinemas, in the cities of Kedha and Bardoda in Gujarat State, respectively, and at the Matha Movies (Kuttiyadi) in Kozhikode/Kerala State. In a salute to the long history of cinemas in India, UFO Moviez have been beaming at 16 new "Talkies," six "Picture Palaces" and one "Picture House." With the Cineplex multiplex located not too far away, even the Melody Drive-In Cinema in Rajkot/Gujarat State is now

looking to the sky when getting its films delivered. By Nov. 7, UFO Moviez counted 3,863 films released in 29 languages and over 8.2 million shows on 2,709 screens in India and 35 screens in Nepal since the network's launch. In July 2005, Girish Dhamija's romantic thriller *Yakeen* became the first of all those UFO Moviez, showing at Central Plaza in Mumbai. (For more details about digital rollout and growth, please refer to our sidebar.) Today, UFO Moviez India Ltd. is the world's largest

Along for the Ride: UFO Moviez's Technical & Business Associates

UFO Movies is a business division of The Valuable Group (www.valuablegroup.com).

PANASONIC PROJECTORS

Panasonic is UFO's majority supplier for digital projectors (www.panasonic.com) at this time. Godrej, one of the largest engineering and consumer product companies in India, supports and maintains the projectors as the authorized service centers appointed by Panasonic in India (www.godrej.com).

DIGITAL PROJECTION INTERNATIONAL

DPI (www.digitalprojection.com) manufactures and distributes an extensive and expanding line of ultra-high-performance three-chip and single-chip DLP projection systems. "These projectors are the reference standard for demanding applications such as large-venue, live-event staging, Fortune 5000, homeland security, education, medical and scientific research, command and control, digital cinema, commercial entertainment, worship and elite home cinema."

HUGHES COMMUNICATIONS INDIA

The subsidiary of Hughes Communications Inc. (HCI) USA is the largest satellite operator in India and provides satellite and bandwidth services to UFO. HCI is a world leader in the manufacture of Very Small Aperture Terminal (VSAT) satellite networks with more than 300,000 of them installed worldwide. The Indian subsidiary shipped over 32,000 VSATs and has orders for another 48,000 booked (www.hughes.in)



UFO's Growing Numbers

YEAR	SCREENS	MOVIES	SEATING CAPACITY per week (millions)
2005	58	25	1.93
2006	349	193	9.73
2007	715	290	16.95
2008	1,251	484	22.75
2009	1,674	775	25.51
2010	2,185	1,067	30.49
2011 YTD	2,709	1,012 (approx)	41.53

satellite-based digital-cinema network, the company states. "Our cinema base is spread across 1,300 cities in 26 states of India," managing director Sanjay Gaikwad details. "Out of these 2,700-plus screens, around 350 are located in multiplexes, thereby accounting for over 30% of the multiplex spread in our country. The balance goes to single-screen locations, which have all got a fresh lease on life," he assures. "The

big hits of 2011—*Murder 2*, *Delhi Belly*, *Haunted 3D*, *Singham*, *Bodyguard* and others—have done extremely well, both in metros and in single-screen digital theatres." On Oct. 26, Shahrukh Khan's superhero *RA.One* made history, not only as India's most expensive film and "this year's most anticipated

UFO MOVIEZ'S BHASKARJYOTI THEATRE.

mega-movie," but also as the widest network release ever at 1,478 UFO screens, including



130 3D screens, out of a total 3,100 prints in India overall, with some 600 still coming on 35mm. Abroad, *RA.One* was released in an additional 225 cinemas.

In the context of a recent report by Ficci Frames-KPMG, whereby the Indian cinema business is expected to rise from Rs. 83 billion in 2010 to Rs. 132 billion in 2015 (US\$1.676 to US\$2.666 billion), Gaikwad notes that "the industry has undergone a sea of changes." The domestic theatrical collections alone are expected to grow to Rs. 95 billion (US\$1.94 bil.)

3i International investment house 3i focuses on private equity, infrastructure and debt management across Europe, Asia and the Americas (www.3i.com).

PROVIDENCE EQUITY PARTNERS

The leading global private-equity firm specializes in media, entertainment, communications and information services companies around the world. The principals of Providence manage funds with over \$23 billion in equity commitments and have invested in more than 100 companies operating in over 20 countries since the firm's inception in 1989 (www.provequity.com).

SCRABBLE ENTERTAINMENT

UFO has acquired a controlling stake of 52% in Scrabble Entertainment, the only integrator in India to have secured Virtual Print Fee (VPF) contracts with major Hollywood Studios (www.scrabbleentertainment.com). Scrabble is in advanced stages of finalizing agreements with exhibitors and VPF contracts with major Hollywood Studios in Latin America, with initial focus on Brazil, Argentina, Mexico and Chile.

SOUTHERN DIGITAL SCREENZ

A subsidiary of UFO Moviez, this "vertically integrated media and entertainment company" has a network of 1,069 digital screens in Southern India.



by 2014, posting a CAGR of 8.9%. In no small part that is due to UFO Moviez investing in the infrastructure and, with support from its technology and financial partners (see sidebar), providing quality access to current films to all, including those that have hitherto been referred to as C and D markets. Says Kapil Agarwal, UFO's joint managing director, "At UFO, we constantly strive to ensure that moviegoers frequenting the single screens in any particular region have access to an enjoyable 'First-Day-First-Show' movie experience." In addition to digital technology and the flexibility it affords, UFO Moviez has created a unique business model for theatre owners, distributors and producers. "Because of our pay-per-show model," Argawal opines, "in comparison to fixed cost of a film print, distribution costs have reduced drastically." Lowering those costs allows further reach and distribution. "This creates a win-win situation for everyone in the chain. It used to be a Catch-22 situation: Exhibitors were not getting new movies and hence did not have the revenue to upgrade their cinemas. That, in turn, led to a slowdown in business rendering some theatres almost on the verge of shutdown. But, with UFO Moviez, all of the locations have been revived. The availability of fresh content in cinemas, which in turn leads to increasing audience occupancy, is pushing up the average ticket prices. Cinema ticket prices are slated to increase by about 25% in the next couple of years."

To become part of the network, exhibitors pay a refundable deposit of approximately Rs. 100,000 to Rs. 300,000 (US\$6,000), plus monthly rental ranging from Rs. 10,000 to Rs 17,500 (US\$350). "We are already setting aside Rs. 1.5 billion as capital expenditures for installing 2D technology in 4,000 screens and 3D technology in 1,250 screens across India," Agrawal notes, confirming the company's commitment for the next year and a half. "We developed our own and very cost-effective technology to convert existing 2D into 3D-enabled screens," he elaborates further. "The theatre owners are not required to make any investment in the equipment. UFO installs 3D equipment at its own cost and charges exhibitors on a 'pay per ticket sold' basis as and when a 3D movie is played." The custom-designed and developed technology was successfully tested by bringing cricket matches of IPL 2010 (Indian Premier League) live to 800 screens in high definition. "The last four matches were broadcast in 3D with exceptional results," he assures, "thus providing an option of alternate content to the exhibitors for the first time in India." It should be noted that UFO Moviez not only lists the obvious benefits for the industry stakeholders on its website, but also for the audience and for the country. While using digital prints in a wide release protects the filmmakers "to a great extent from piracy and adverse publicity," ufomoviez.com also states how the public

enjoys "day-of-release access" everywhere. And India sees "savings of foreign exchange in importing film stock" and in energy consumption. "Increase in cinema collections means increased entertainment tax revenues," of course, as all of this "encourages film production and enhances revenue potential," the online list concludes. As part of the innovation and changes that the UFO Moviez model has afforded, the company is also developing and marketing a ticketing and settlement platform now. Aptly named IMPACT, "this is an initiative to bring transparency, efficiency and accountability in the media and entertainment business," Agarwal finds. "The back-end software and infrastructure has already been deployed along with the online computerized ticket system in more than 200 of our screens ... In the near future, IMPACT will handle and guarantee settlements to each stakeholder in addition to providing a common system to be used for the entire value chain targeting digital theatrical film releases." Despite all this solidly verified success and impressive growth, the key question about support from and for Hollywood remains. While major studio titles have not been shown on non-DCI-compliant systems at all, international films by independent producers have. Likewise, U.S. titles released by Indian distributors via UFO Moviez include *The King's Speech*, *The Hurt Locker*, *Paranormal Activity*, *The Expendables*, *The Twilight Saga*, *Transporter 3* and *The Three*

Musketeers, to name a few. In September, UFO Moviez took another decisive step towards Hollywood by enlarging its existing 26% stake in Scrabble Entertainment Pvt. Limited to 52%. By acquiring a majority stake in the sole aggregator of DCI-compliant screens in India, Agarwal confirmed at the announcement that "UFO Moviez has reiterated its commitment to ensuring that our film industry ecosystem benefits from the resulting cost efficiency and increased reach of content by taking Hollywood content to cinema lovers across 'Bharat' [Hindi for 'India'] and beyond its metros." With the acquisition of Scrabble, which has close to 400 DCI-compliant screens in 30 major cities and VPF agreements in place for India, the Middle East and Eastern Europe, "UFO is now in a position to provide a complete offering," Agarwal says, confirming the deployment of both DCI as well as non-DCI systems "for our international forays." With an established presence in Nepal, "we are also actively looking at markets like Sri Lanka, Bangladesh, Indonesia and Malaysia, as well as countries in the Middle East, Eastern Europe and, eventually, Latin America." Agarwal further reveals that Scrabble has finalized agreements with exhibitors to roll out over 500 screens in UAE, Oman, Qatar, Bahrain, Kuwait, Israel, Jordan, Lebanon, Cyprus and Bulgaria, with more than 1,000 DCI screens planned for the end of 2012. By that time, Scrabble expects to have grown to 1,200 at home in India as well. ♣