



Apollo's Moviez business rolls on

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MANUFACTURING TYRES to setting up digital cinema chains is a far cry. But for the Rs 4,500-crore Apollo Group it has been a seamless transition. The chairman and MD of Apollo Tyres, Onkar S Kanwar, has just completed one year of incubating his new subsidiary, UFO Moviez, and has struck two deals raising over Rs 150 crore for the new venture.

Shaking hands with Chris Rowland, UK-based equity investor 3i's Managing Partner for Asia, on Wednesday, Kanwar announced that 3i was investing \$22 million (Rs 100 crore) through cumulative convertible equity shares issued by UFO Moviez. The investment would be converted into equity by 2008 end. 3i would also have the option of investing an additional \$3 million later.

In a separate debt funding arrangement, UFO Moviez raised Rs 45 crore from Yes Bank. "We had many options. It is like honey bees whirring around a pot of jam," said Kanwar. UFO Moviez has completed retrofitting around 600 cinema screens with the new satellite-based delivery projection systems. The MPEG-4 technology was initially bought from US-based DG2L, that allows compression of a three-hour movie into a 6-8 GB file that is downloaded via satellite into servers installed at the cinema hall.

DG2L in return has a 15 per cent stake in UFO Moviez. Apollo Group holds 60 per cent while original promoters of the new technology format — Sanjay Gaikwad and others — hold 25 per cent of the equity. Apollo Group's initial investment has been Rs 80 crore, and with the aim of setting up 2,000 digital screens in the country, the investment by 2008 end is expected to touch Rs 300 crore.

"Films and cricket are the two most selling points in India," says Chris Rowland, justifying 3i's investment in UFO Moviez. Significantly, Nimbus Sports — that has for long been a player in the cricket telecast rights and now holds the BCCI rights for Indian cricket — was the first Indian company 3i invested in with a \$45.5 million stake.

UFO's business plan includes installing the projection and satellite delivery hardware costing Rs 15 lakh free of cost in cinema halls. In return it charges the cinema exhibitor a fee of Rs 250 per movie and Rs 200 for the distributor. Its main revenue however comes from its rights to 10 minutes of pre-movie and interval advertising time in theatres.