

Update on Filmed Entertainment Industry for 9M-FY21

February 26, 2021 | Industry Research

Overview

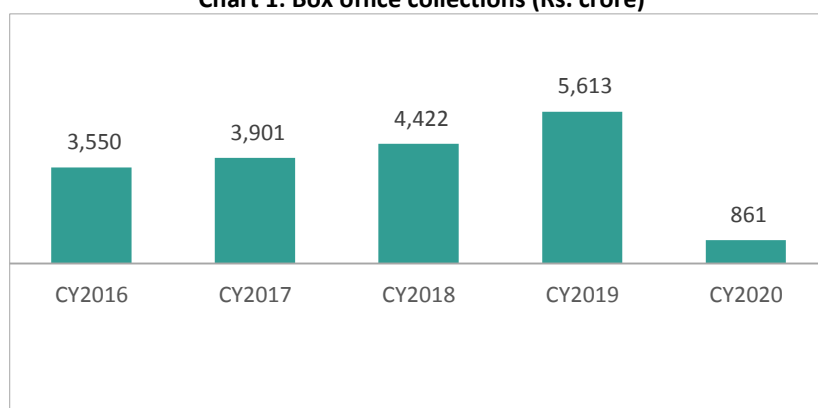
Q3-FY21 was the third consecutive quarter of losses for the film exhibition industry due to prolonged closure of theatres and near nil theatrical releases by movie producers. In mid-March 2020, the central government directed shut of cinemas across the country due to the spread of coronavirus. After multiple pleas from various stakeholders of the filmed entertainment industry, the central government gave its nod to reopen cinemas for audiences from 15th October 2020 onwards with 50% seating capacity. However, reopening cinemas was at the discretion of various state governments and hence Maharashtra and Tamil Nadu, which has a sizeable share of movie audiences, did not reopen theatres, due to a rise in covid-19 cases in their respective states. Hence, most movie producers deferred the release dates or opted for OTT platforms. However, in November 2020, the Maharashtra government finally allowed reopening its theatres which was expected to bring a sigh of relief to not only the film exhibitors but also to movie producers, distributors, actors, junior artists, etc. as the state contributes a huge share of box office collections, especially for Bollywood. However, even 3 months later, as of today, most movie producers are not at ease with theatre releases of their content.

Due to the closure of cinemas in past 11 months, employment and income levels in this industry have been severely impacted and liquidity concerns have risen. Many single screens across the country have now permanently shut their operations due to the non-availability of working capital.

Box Office collections

Based on analysis of data in chart 1, the total box office collections in CY2020 stood at Rs. 861 crore. This can be attributed to the significant fall in movie releases during the year to 75. Out of these, just 7 films were released between 15th November and 25th December 2020, which clocked total revenues of Rs. 36 crore. The remaining 68 films were released between 1st January and 13th March 2020 and generated box office revenues of Rs. 825 crore. In the previous year of CY2019, the box office collections for 246 movies stood at Rs. 5,613 crore.

Chart 1: Box office collections (Rs. crore)



Source: Bollywood Hungama, CARE Ratings
Note: data extracted on 26th Feb, 2021

Financial Performance

Analysis of financials of 44 companies in the film production, distribution and entertainment industry for initial 3 quarters of FY21 shows that the net sales fell to low levels. The total expenditure also declined by nearly 3/4th which helped minimise losses for players. The fall in operating expenses can be attributed to minimal electricity and water charges and reduction in employee costs through measures like layoffs, retrenchments and reduction in salaries. Other overheads were controlled with contractual obligations like housekeeping and security being suspended in lockdown. Also, rent and common facility charges stood nil due to the invocation of force majeure under the respective lease agreements due to the Covid-19 pandemic and engaging with developers to seek waiver for lockdown period and reduced rent / revenue share post opening.

Other expenses such as movie exhibition cost and cost of food and beverages consumed stood negligible due to the closure of theatres for the entire quarter. The industry's loss at the net level stood at Rs. 403 crore in Q1-FY21, which reduced to Rs. 288 crore in Q2-FY21 and to Rs. 71 crore in Q3-FY21.

Table 1: Financial Performance (44 companies)

	Net sales		Total expenditure		Employee cost		Operating profit		Profit After Tax	
	Rs. crore	YoY growth	Rs. crore	YoY growth	Rs. crore	YoY growth	Rs. crore	YoY growth	Rs. crore	YoY growth
Q1-FY21	275	-87%	379	-76%	151	-30%	-22	-104%	-403	-550%
Q2-FY21	370	-84%	392	-77%	112	-48%	125	-81%	-288	-396%
Q3-FY21	544	-76%	569	-65%	129	-43%	397	-42%	-71	-161%

Source: Ace equity, CARE Ratings

Concluding remarks

The coronavirus pandemic has caused substantial damage to this flourishing and labour-intensive industry in FY21. Though theatres across the country are now permitted to operate, audiences are fearful of watching a movie in a confined space. Also, minimal number of new star-studded films have made theatrical releases in past 3-4 months to attract viewers to the cinemas.

A variety of movie offerings in different genres are expected to be released in CY2021. These would include new movies which were originally scheduled for CY2020 as well as of CY2021. Hence, films will compete for desired dates of release and their run at theatres is expected to shorter than earlier. Also, the pandemic has not ended yet and hence occupancy levels at theatres are expected to be lower than pre-covid levels for a considerable part of CY2021. However, release of big star-studded films could up to an extent lure audience to theatres, which would help in bringing good fortune for this industry.

Contact:

Madan Sabnavis
Vahishta Unwalla
Mradul Mishra

Chief Economist
Research Analyst
Media Contact

madan.sabnavis@careratings.com
vahishta.unwalla@careratings.com
mradul.mishra@careratings.com

+91-22-6837 4433
+91-22-6837 4408
+91-22-6754 3573

Disclaimer: This report is prepared by CARE Ratings Limited. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report

CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road,
Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect :

