

Maharashtra allows reopening of cinemas

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The Maharashtra government has finally given nod to re-open cinemas today after nearly 8 months. The state is important for the industry as it contributes nearly 20% of the box office revenues. Hence, it brings a sigh of relief to not only the film exhibitors but other stakeholders like movie producers, distributors, actors, junior artists, etc. The filmed entertainment is a labour-intensive industry and hence, the lockdowns affected employment levels in the industry up to a large extent.

While the central government gave consent to restart theatres in the country 15th October onwards, following the order was at the discretion of state governments. States like Maharashtra, where covid-19 cases were rapidly rising, kept the decision on hold. The decision to not open all cinemas across the country affected the content pipeline as movie producers decided to further delay their movie releases. Hence, with negligible fresh content, movies that were released prior to lockdown were being re-shown in theatres. This negatively affected footfalls for film exhibitors as quite a few of these movies were already released on the OTT platforms in the past 8 months.

The content pipeline for movie theatres in coming months is strong, which is expected to attract audiences and raise footfalls for film exhibitors. Some bollywood movies expected to release in Q3 and Q4-FY21 are 83, Sardar Udham Singh, Sooryanvanshi, Bunty aur Bulbli 2, Mumbai Saga, Toofan, Jayesh Bhai Jordar, etc. The Hollywood content pipeline includes Tenet, Free Guy, The King’s Man, Monster Hunt, etc. The regional content pipeline includes Master, Cobra, Doctor, Krack, Red, Kavaal, Lokkhi Chele, etc. Most of these showcase big movie stars and are made by renowned directors and large production houses.

Analysis of the financials of film production, distribution and entertainment industry in Q1-FY21 shows that the industry witnessed a sharp loss in revenue in the first quarter of this financial year. However, losses were controlled by reducing expenditures which are general and administrative in nature along with fall in employee costs. The common area maintenance charges declined and rentals were waived off for some film exhibitors.

Table 1: Financials of film production, distribution and entertainment industry (Rs. Crore)

	Net Sales	Total Expenditure	Employee Cost	Operating Profit	Profit after tax
Q1-FY21	300	407	159	-22	-409
Q4-FY20	1,733	1,522	185	350	-1,083
Q3-FY20	2,345	1,701	236	698	26
Q2-FY20	2,346	1,755	227	656	97
Q1-FY20	2,123	1,594	231	614	76

Source: Ace Equity

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Concluding remarks and outlook

Maharashtra accounts for nearly 1/5th of the total box office collections generated in the country and an essential market for Bollywood movies. The reopening of theatres will benefit the filmed entertainment industry and its various stakeholders including producers, artists, etc.

As movie producers start releasing movies in theatres, footfalls and occupancy rates shall move higher. The existing cap of 50% on total seating capacity may not impact much, especially for multiplexes, as even during pre-covid times, the average occupancy rates were around 25 to 35%. However, the advertising income which was nil in past 2 quarters, shall increase as footfalls rise gradually.

A strong movie content pipeline and the festive season will augur well for the movie business, while film exhibitors will incur costs on sanitisation and maintenance and may have to roll out discounts on ticket prices and food and beverages in initial days to attract audiences. This could pose a challenge for near-term operating cash flows.

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