

MAHARASHTRA ORDER

State takes big bite out of theatre biz

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New Delhi/Mumbai, July 13

IN WHAT COULD spoil the party for theatre and multiplex owners, the Maharashtra government on Friday said that there's no restriction on moviegoers on taking food articles from outside and consuming them inside the cinema halls. Thus far multiplex owners do not allow viewers to take food items from outside inside the premises. Viewers, however, can buy food articles that are sold inside the premises by the multiplex owners, which are priced higher than what is available outside.

The state government said that strict action would be taken against any multiplex that prohibits people from bringing food from outside. It also put an end to the practice of selling food items to moviegoers inside the movie hall by the vendors or the owners.

The announcement to this effect was made by minister of state for food and civil supplies Ravindra Chavan in response to

CURTAIN CALL

- Moviegoers can now take food articles from outside and consume inside cinema hall
- Strict action on any multiplex that prohibits people from bringing food from outside



a query by NCP MLC Dhananjay Munde. Chavan also said that the state government will ask theatre owners to reduce prices of food items sold at the counters at the theatres.

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THOUGH NO multiplex

owner offered comment in response to this direction, privately they said that as per their understanding there's no such directive like this so far and that they will hold discussions with the state government.

Industry analysts told FE that the move will have an adverse impact on the business and the companies concerned will have no option but to realign their business model. Little wonder then that the share prices of multiplex operators tanked on Friday once the news hit the market.

"The business model of multiplex operators is based on total earnings per seat — which includes earnings from food and beverage, retail and parking. If implemented, multiplex operators will be required to completely overhaul their business strategy," said Ashish Pherwani, leader, media and entertainment, EY.

Agreed Ashish Malushte, CFO, UFO Movies, a digital cinema distribution and in-cinema advertising company, called the move a double whammy for multiplexes. "Multiplexes earn about 80% margin from the sale of food and beverages. For example, if a multiplex operator earns Rs 100 from one customer the margin is Rs 80 and after deducting the cost which is about Rs 30, the operator is left with Rs 50 as revenue. However, with this move earnings per customer can drop drastically to as low as Rs 20 or nil in certain cases," he said.

Just to take a case, PVR, which is the country's largest multiplex operator, earned around 25% of its overall revenues from food and beverage business, which comprises sales at multiplex counters.