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Single screens push for more in a bid for survival

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Can a pandemic bring single screens back in the reckoning?

Indian films earned ₹19,100 crore in 2019. More than 9,000 cinema screens across India brought in ₹11,500 crore of that. Of these, 3,500 multiplex screens bring in just over half, making them the single-biggest revenue earner. On the other hand, single screens bring in the footfall; they sold a billion of the 1.46 billion tickets bought last year. However, over two decades now, as multiplexes, TV and OTT became popular, single screens have been struggling. From over 12,000 single screens in 2000, India is down to 5,500. The pandemic, with its resulting lockdown, has sounded the death knell for many of them.

This is where our story begins. "Our estimate is that cinemas won't open before June/July. And, even after that it will take at least three months for confidence building. That means we are talking about a cash out period of 6-9 months. For single screens it is not a question of P&L (profit and loss) but of survival," says Kapil Agarwal, joint managing director, UFO Moviez, a digital cinema solution provider that deals with over 5,400 screens, about a third of them single.

Arun Mehra, managing director of Kolkata's Paradise Cinema, agrees. "Lot of small theatres will go out of business. We will need a massive re-negotiation of commercial terms. It has to move to national revenue sharing percentage," he says in a recent webinar.

"There have to be uniform terms for single screens and multiplexes," adds Rajan Gupta, owner of Liberty Cinema in Delhi. Of all the ideas around rebooting post lockdown — staggered seating, more shows, abolition of the GST — equal terms is the most important. If the crisis forces single screen owners to thrash it out with producers/distributors it just might hand them the lifeline they need.

More money, more movies

"A lot of single screens don't get the terms that multiplexes get. They pay minimum guarantees, end up having a bidding war and are often not able to recoup such big upfronts," says Rahul Puri, managing director, Mukta Arts, one of the smaller multiplex chains.

If a film works, the distributor keeps the upside, but if it fails, the single screen is safe. This has made single screen owners lazy, say insiders

Then there is fixed hire. Akshay Rathi, director of Saroj Screens that owns and operates 17 single screen theatres across Central India, explains how it works. "On an average, they (single screens) get 15-20 per cent of their net capacity per week as a fixed amount. So, if a theatre's capacity is ₹10 lakh a week, it would get ₹1.5-2 lakh from the distributors," says Rathi.

If the film works the distributor keeps the upside, but if it fails, the single screen is safe. However, this has, over the years, made single screen owners lazy, loathe to invest in improving the experience, say industry insiders.

Most don't have a computerised ticketing system, so revenues leak out in crores.

On the other hand, the typical distributor/producer and multiplex arrangement is a 50:50 split in revenues in the first week, 42.5:57.5 in the second week, sliding down with each progressive week in favour of multiplexes. It seems fair that single screens should get the same terms since they show the same films. Ajit Andhare, CEO, Viacom18 Motion Pictures, dismisses the idea.

"The revenue share equation with multiplexes itself is lopsided. Our films do very well in the third and fourth week. If a film is a slow success, like *Bhaag Milkha Bhaag*, by the last week I get only 30 per cent of the revenues. They take the lion's share of the upside in the long run. If my film is successful I should get the lion's share," argues Andhare. He points out that multiplexes have other revenue streams like food and beverages and advertising, which they earn due to the content. But these are not shared with producers/distributors.

"Either they should agree on a lower share or they should share ancillary revenues. Look at the screens in the south. They run on rental and offer much better terms to producers/distributors. That is why single screens are doing so well in the south," says Andhare.

Agreeing on an equitable share then is the first challenge for the whole revenue share argument. The second is the chicken and egg situation it gives rise to. "If you use terms like revenue share there is no guarantee that it is based on accurate numbers. There is a trust deficit and that is why single screens pay hefty advances for big movies," says Rajkumar Akella, managing director, theatrical (India), Comscore.

His solution? "The industry must use the cooling period to upgrade systems and fix the problem," says Akella. An upgrade, however, is not simple. There are stringent laws governing theatres in India, capital is more interested in the scale multiplexes offer and on most days the value of the real estate means better returns from selling a single screen than upgrading it. But at the end of 6-9 months, no single screen will have the money to pay advances. Producers will be chary of giving the films to single screens. UFO could help here, says Agarwal. Of its 1,300 staffers in 24 offices, over a 100 employees deal with theatres and distributors.

It could become the distributor and give licences on a per day basis against direct bank transfers at the end of the day. This could help kick-start the ecosystem after the lockdown and also by default shift it to revenue share. This pandemic has changed many equations. Maybe it could change this one too.