



Cinema industry may face 20-25% loss of annual revenue due to COVID-19 lockdown

Cinema industry experts share their predictions on when the industry will get back on track and solutions to sustain in the market after the COVID-19 lockdown



The nationwide lockdown has severely impacted all segments of the economy. Cinema is an out-of-home entertainment option and due to the COVID-19 lockdown, the film industry has been significantly impacted and is expected to take the longest time to recover.

According to the FICCI-EY media and entertainment report 2020, the number of single screens in India has been steadily declining—from 7,031 in 2016 to 6,327 in 2019. Now, due to the COVID-19 nationwide lockdown, it is a battle for survival.

Mohan Umrotkar, CEO, Carnival Cinemas, feels that the Exhibition business depends on the constant flow of content every Friday. “Even when things get back to normal our industry will take some more time to recover, say 5-8 weeks when the customers will feel safe to go out for films in full swing like they used to go earlier. The shooting and post-production of the films are also stopped due to lockdown like any other industry. There are few films ready to release but the pre-COVID 19 release calendar might not work now due to various reasons so the producers and exhibitors shall sit together to plan a fresh content flow. People are bored of sitting and working from home and now they just want to go out for films with friends and family after the lockdown but things will be completely back to normal only in the second half of the FY 20-21”, commented Umrotkar.

Umrotkar added, “It’s hard to put a number on it as the opening of cinemas is not clear. But the impact shall be 20-25% of annual revenue considering the entire lockdown period.”

Alok Tandon, CEO, INOX Leisure Ltd stated, “The resumption of operations entirely depends on the decisions taken by the health authorities and the Government. Once the lockdown is lifted, we believe that the fear of psychosis might remain prevalent for a few weeks. The studios may also take some time to rework on their movie release dates and would look for a window of a couple of weeks to market their movies. The industry might take a month to get back on track after the lockdown is lifted.”

“The impact on financials is significant, especially if you look at it on a Y-o-Y basis, but you cannot ascertain how much losses we would have made, as we don’t know how movies would have performed”, added Tandon.

Talking about when the cinema industry will get back on track, Kapil Agarwal, JMD, UFO Moviez remarked, “We assume it will be another 3 months till Cinemas get back on track. We feel that by July Cinema’s should be able to be open. It will take another 3 months until the fear of people to go to the cinema passes. Initially, there will also be distancing in the theatre which Multiplex chains are already talking about. Where 2 seats will be left in between seats. The social distancing will give confidence to the people to come back to the cinema. Also, People will start coming in when new content will start getting released. It is a Catch-22 situation of big entertainment content and people coming to the theatre.”

“Film Makers across the board also feel that they won’t be releasing content until the USA and Europe also open Cinemas because they get substantial business from there as well. So, it is not only about the Indian Economy but the global market”, commented Agarwal.

Umrotkar talking about the drop in advertising in Cinema said, “The things are not clear about the opening date of the cinemas at present and the lockdown may extend in most of the country due to COVID 19 for 15 more days. Most definitely, there will be an impact of at least 45-50% in the advertising revenue in the first half of FY. In the initial two quarters, there might a slight slump in the A&M spends of moderate to big brands. As most of their manufacturing units and service industry are not functional at all or are running at a very marginal rate during the lockdown. But local advertisers and small brands might not advertise much this year due to the economic hit they are going through right now. We are sure that once the cinemas will open, the people will come back to us to experience the thrill of big screens that they are missing right now on OTTs and so do the advertisers for the captive audience.”

The brands who are not able to sell will come back and they will come back aggressively to advertise. But the country will be out of production so they will be very little supply left and brands will not be able to advertise.

“Our view is that the Government should support through their own advertising because they are the biggest spender in advertising. To safeguard the industry, the government will be well advised to start spending money on advertising in the cinemas”, said Agarwal.

The solutions Umrotkar has taken up to keep the boat afloat are: “Requesting mall owners for waiver of rent for the lockdown period as force majeure is implemented. We have requested the government to give as a breather in terms of an interest-free loan for three years and one year of a moratorium to restructure our finances, discount in GST to take down the cost of a ticket for a larger audience to come back to cinemas when the things are better.”

Listing the solutions to revive the industry, Tandon remarked, “Support from the Government has to come in, and need for the resurgence of the sector. The Multiplex Association Of India has written to the relevant ministries and sought support on various fronts. We have requested for financial support in the form of interest-free loans. We have also requested for exemptions from various taxes, like GST, Show tax, LBTs and Property taxes.”

“We will innovate and think differently to ensure social distancing once the cinemas are back in operation. Cross-allocation of seats is one measure, which would allow us to ensure that two guests are not assigned adjacent seats. Another measure can be to program the shows in such a manner that intermissions of two shows do not occur simultaneously. This will help us to ensure that the food counters and restrooms do not get too crowded. We may even consider limiting the overall seat allocation for some shows so control

overcrowding if the need arises. We will ensure that we maintain appropriate distances even at the entrance security checks as well”, commented Tandon.

Lastly, speaking on what the industry should do to sustain itself in the market, Agarwal concluded by saying, “The government will have to play a big role in terms of a package where they could give long term working capital finance to the industries so that they can continue to be healthy so that they can meet their basic minimum obligations.”