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PRODUCERS GUILD OF INDIA

CREATIVE FIRST

Screen Density – Key to Unlocking the Hidden Box Office Potential

December 2018

Contents

Foreword Producers Guild of India

India is one of the fastest growing economies in the world with a young and highly aspirational population. As Indians move up the economic development curve, the time spent on leisure activities is expected to further increase. While there are various forms of recreational activities, in India, cinema is considered to be one of the most favoured forms of such activity.

Despite producing the largest number of films across languages and having an unrestricted access to international content, Indian film industry's net economic contribution remains dismal. Much of the opportunity is lost due to our inability to provide the audiences access to good quality entertainment infrastructure.

Our endeavor is to help the film industry create an ecosystem of growth and inclusion. The film production houses should be able to justify the investments in content development through increased outreach of their films, the exhibitors should be able to provide quality infrastructure and the audiences should have access to a world class film viewing experience.

We hope that this initiative will get the ball rolling towards reforms which will enable the industry to reach its full potential.

Kulmeet Makkar
Chief Executive Officer
Producers Guild of India

Foreword

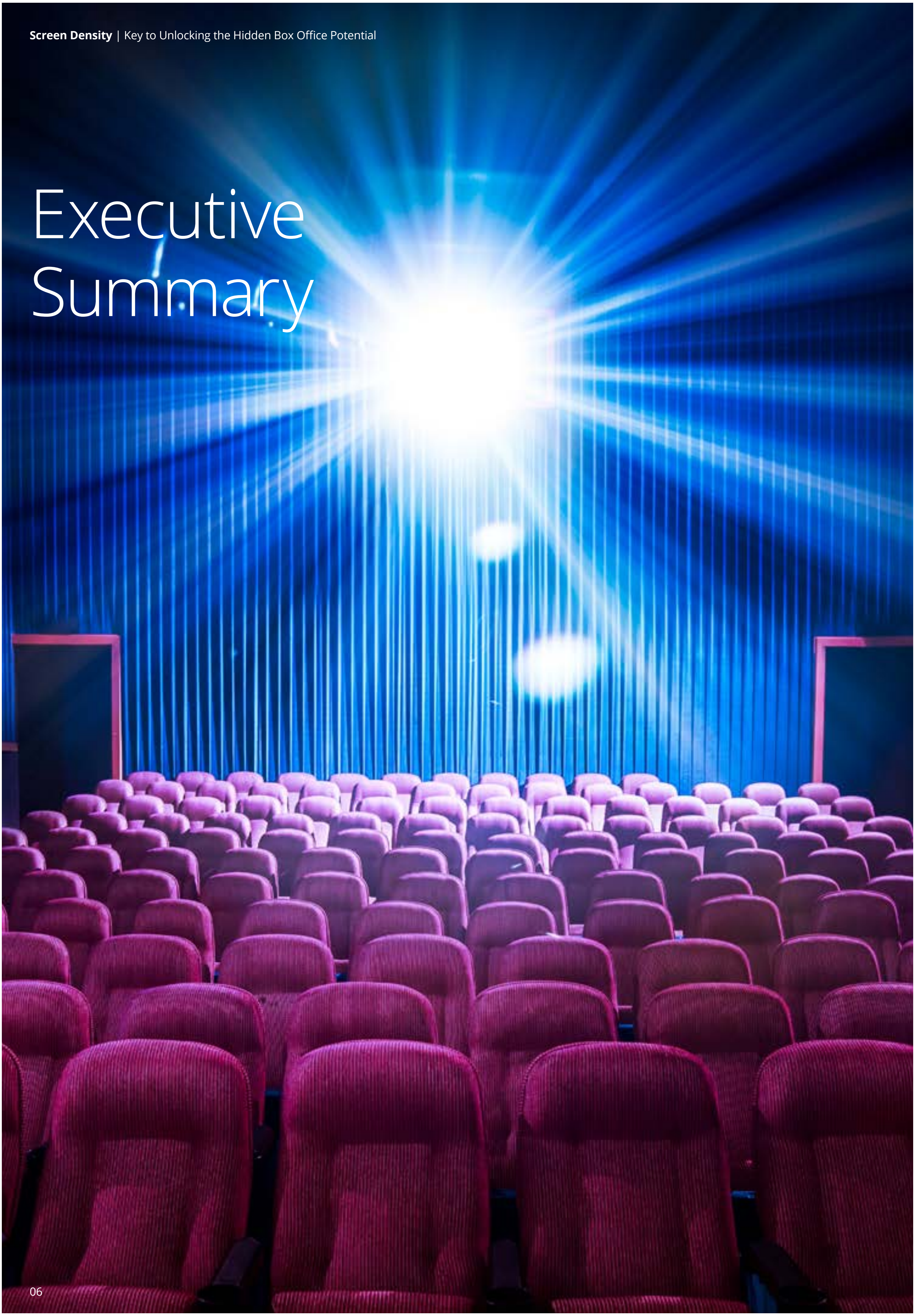
At the outset we would like to thank the industry bodies, Producers Guild of India and CreativeFirst for taking up the issue of screen density in India and bringing to light an important aspect of film industry which has thus far been ignored.

We live in a dynamic world where, thanks to technology improvements, our way of life is getting fast disrupted. Technology has become an integral part of a society's existence. In such vibrant times, the film exhibition industry is still subjected to archaic rules which have little or no significance in current context. The industry needs to change gears and move fast to meet the audience's demand of better film viewing experience.

This report highlights the key challenges faced by the industry and suggests possible solutions which can help the industry get back on track.

Jehil Thakker
Partner
Deloitte India

Executive Summary



It is a known fact that India is a film consuming nation and Indians are fanatical about films to the extent that some even worship their favourite actors as demi-gods. One of India's best known global brands is Bollywood (Hindi Film industry) which enables India to exercise significant soft power in the global arena. However despite producing the largest number of films year after year the country is nowhere near the highest grossing territories in the world. In fact, US is six times that of India, despite producing 62% fewer films and a population which is one third the size of India. China too is three times larger than India in terms of box office collections.

While there is no dearth of demand for films in India, the inherent challenges being faced by the industry are stifling its growth and restricting it from reaching its true potential. With 6 screens per million population, India is by far one of the most under screened nations in the world. Of the approximate 8,500 screens in India, more than 70% are single screens showing films at an average ticket price of ~USD1. Poor theatre infrastructure and lack of latest technology restricts these players' ability to charge higher ticket prices and hence the multiplexes which hold less than 30% of screen inventory contribute more than 50% to the industry's revenues.[1]

Box office collections are an important source of revenue for the film producers as it contributes ~74% of the overall revenue and hence the profitability of a film depends on the performance of the films at the box office[2]. The current infrastructure is unable to accommodate a theatrical release for all films produced in a year. Additionally, most films which do get a limited theatrical release struggle to recover their cost. It is estimated that in 2016 more than 60% of the films could not recover their cost of production.

The industry needs a model which offers a better viewing experience to the audience while allowing the exhibitor to charge a higher ticket price and achieve a better inventory utilization. Such a model then needs to be replicated fast across the existing and new screens to address the major issue of below-par box office performance of the Indian film industry.

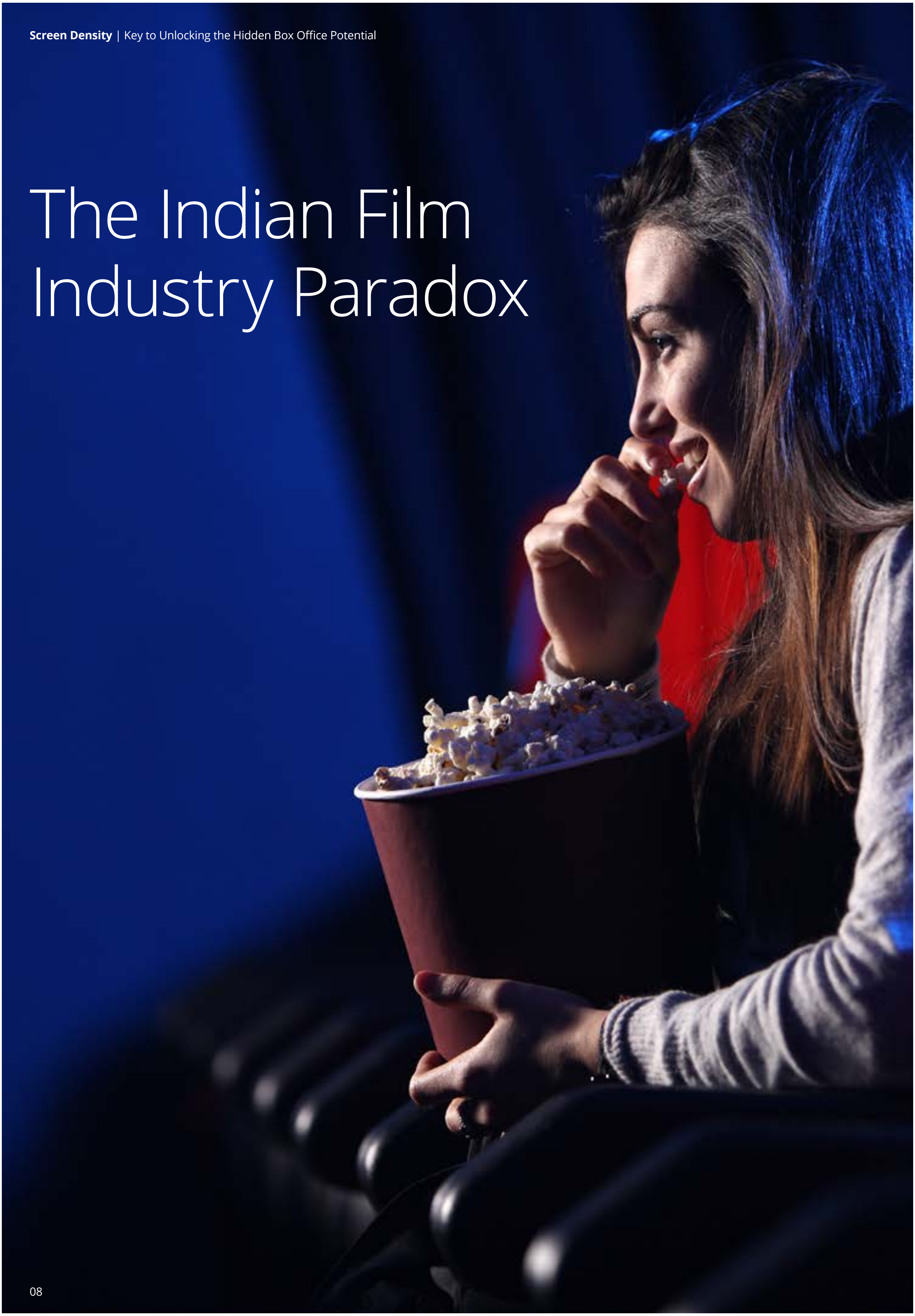
This report is a joint initiative, among Producers Guild of India, CreativeFirst and Deloitte, to unearth the root causes of the weak performance of Indian Film Industry, assess the market potential and identify possible implementable solutions. The industry and government will have to work together towards the larger cause of achieving Indian film industry's true market potential.

This report highlights the need for

- Improving the ease of doing business through regulatory reforms
- Enhancing fiscal incentives to maintain sustainability
- Development focus for underpenetrated areas
- Adoption of lean and innovative business models
  - Encouraging Public Private Partnership models
  - Advertising based revenue models for media dark regions
  - Promotion of franchise-based models for rapid infrastructure development
  - Development of compact and affordable theatres (Miniplexes) in tier II/III cities
- Scaling up anti-piracy initiatives
- Enabling industry with flexible ticket pricing models
- Adoption of box office measurement systems
- Investments in technology across the value chain

[1] Source: PVR Investor Presentation, June 2017, Deloitte India analysis
[2] Indywood – The Indian Film Industry, 2016

The Indian Film Industry Paradox



"We need to target at least 50,000 high-yield screens in India to unlock the full potential of the Indian market. Currently, an Indian distributor can access ~5,000 screens for a mainstream Hindi movie implying that each screen caters to 260,000 citizens. In comparison, a Chinese distributor can access ~45,000 screens for a mainstream Mandarin release implying each screen caters to 30,000 citizens. We need the government to come forward with rebates, exemptions and easier licensing norms so improve the pace of building cinema infrastructure."

Rohan Malhotra
Vice President - Distribution,
Yash Raj Films

Overview

Indian film industry is the largest in the world in terms of films produced; it produces close to 2,000 films every year in over 40 languages.[3] In 2017, India produced 1,986[4] movies drawing more than a billion footfalls across close to 8,500 screens[5]. In the same period, Chinese exhibition sector attracted 1.37 billion footfalls across 41,179 screens, putting India in the second position with respect to number of footfalls.[6]

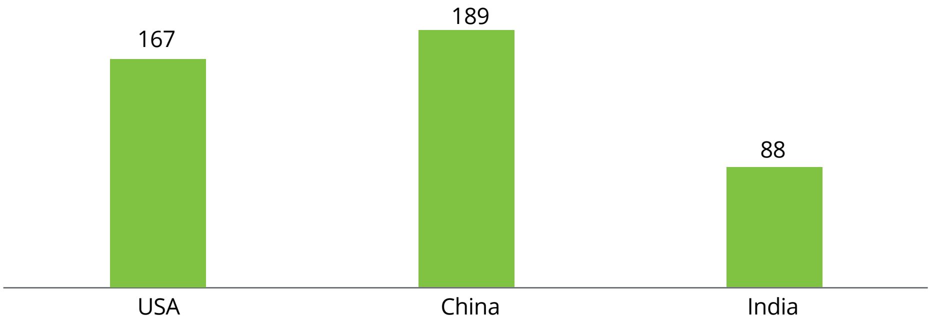
In spite of having second highest footfalls and highest number of movies produced, Indian movie industry makes only a fraction of revenues compared to US & Canada and Chinese markets. In 2017, Indian film industry's gross box office realization stood at USD 1.76 billion while US and Canada recorded a gross box office realization of USD 11.4 billion, six times that of India, despite producing 62% fewer movies (718 films)[7]. Comparatively, China released 391 movies in 2016 which grossed USD 6.6 billion at box office.[8] In 2017, China recorded a growth of 30.3% in its box office collections closing at USD 8.6 billion.[9]

In terms of future growth, India's box office revenue is predicted to grow at 6% CAGR between 2017 and 2020 reaching USD 1.9bn to USD 2.0 bn (INR 125 - INR 130 bn).[10] On the other hand, China's box office collections are expected to grow at 20.6% CAGR to reach USD 15.07 billion by 2020, exceeding the box office collections from US and Canada by 21.5%. Considering historic growth trends over the past five years, growth in US and Canada's box office collections is predicted to remain almost flat, reaching USD 12.4 billion by 2020.[11]

Our next-door neighbour, China, has demonstrated the potential of the film industry through its accelerated growth over the last eight years. From 2010 to 2017, China's box office collection grew at 21.5% CAGR reaching USD 8.6 billion in 2017.[12]

Box office collections are a function of the number of movies produced for theatrical screening, number of screens in the country, occupancy rate and ticket prices. Considering India's leadership position in terms of films produced and distributed annually, India's ability to replicate China's growth story will depend upon its ability to improve screen penetration and enhance the quality of screens to command a premium pricing.

Global comparison of ATP in INR, adjusted at PPP



Source: Deloitte India analysis

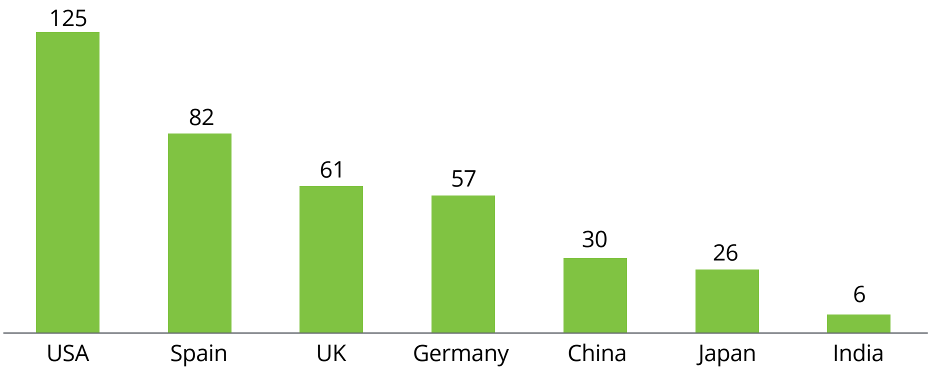
[3] CBFC - Films certified between April 2016 and March 2017
[4] CBFC - Films certified between April 2016 and March 2017
[5] Directorate of Advertising & Visual Publicity (DAVP)
[6] Hollywood reporter - China Box-Office Growth
[7] Motion Picture Association, India office-Theatrical-Market-Statistics-2016; Deloitte India analysis
[8] Box-office mojo
[9] http://variety.com/2017/film/asia/china-box-office-expands-by-2-billion-in-2017-1202650515/
[10] Deloitte India analysis
[11] Deloitte India analysis
[12] Ent-group; Motion Picture Association, India office-Theatrical-Market-Statistics-2016, http://variety.com/2017/film/asia/china-box-office-expands-by-2-billion-in-2017-1202650515/

With respect to the screen density, India comes in at the last position as compared to US, Canada and China with 6 screens per million of population. Comparatively, China has 30 screens per million of population while US has 125 screens.

India has witnessed a sluggish growth in screens over the past few years due to rapid pace of decline in single screen cinemas. India needs to focus on initiatives for empowering the exhibition sector to increase the number and share of quality screens across the country; such initiatives will play a critical role in growing box office collections to revive an otherwise struggling industry.

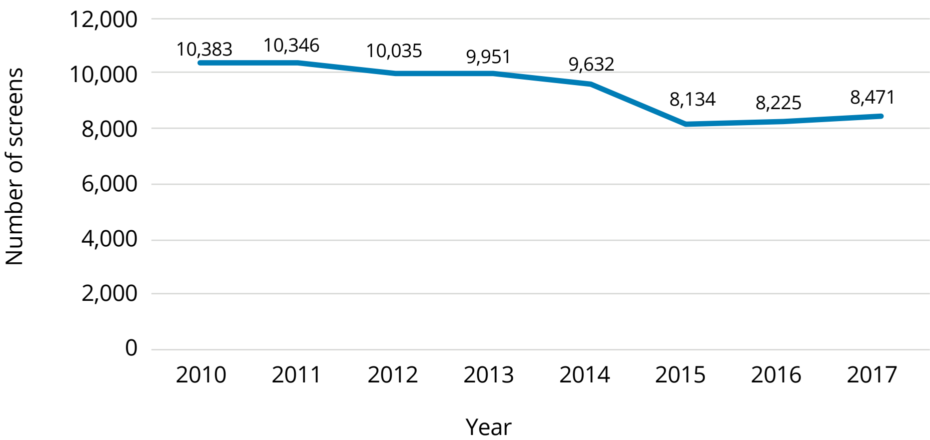
The Average Ticket Price (ATP) in India in 2016 was close to USD 1.4 (INR 88), comparatively, the ATPs in US and China, in 2016, were USD 8.6 and USD 5.5 respectively. When adjusted for purchasing power parity between the US Dollar, Indian Rupee, and Chinese Yuan, the equivalent ATPs in US and China, INR 167 and INR 189 respectively, were approximately two times the ATP in India. Lower ATP in India is primarily driven by the difference in ticket prices across multiplexes and single screen theatres and structure of the exhibition sector. The ticket prices in India across leading multiplexes chains, PVR and INOX, were INR 196 and INR 178 respectively in 2016, which is comparable to the adjusted ticket prices in US and China. However, the ticket prices in single screens were as low as INR 15 in some cases while the ATPs across all single screen theatres was approximately INR 60.[14] This difference in ticket prices across multiplex and single screen theatres is further intensified by the mix of seating capacity. In 2016, the mix of seating capacity across single screen and multiplexes stood at 88%:12% in favour of single screens with only slight variation in occupancy levels.[15]

Figure: Comparison of global screen density[13]
Screen density (number of screens per million of population)



Source: PVR Investor presentation, Deloitte India analysis

Year wise total number of screens in India



Source: Inox investor presentation, November 2017

[13] Source: PVR Investor Presentation, June 2017 Deloitte India analysis
[14] Industry discussions conducted by Deloitte India
[15] Deloitte India analysis

History of Film Exhibition in India

India is one of the largest and the most culturally diverse countries in the world and so is its cinema. In different regions of India – Maharashtra, Andhra Pradesh, Karnataka, Punjab and other parts of India, local theatre groups flourished due to the growing demand for entertainment by the public. In Punjab, the Punjab Land Alienation Act, 1900 was passed that curtailed investments in agricultural land, which led to large scale investment in the entertainment business. These investments were in the form of theatre buildings, first used for stage performances and later for films.[16]

In the early years, film exhibition sector constituted of travelling tent theatres using the Edison and after 1907, the Pathé projection systems. From 1910, the cinema theatres began to be built while famous theatre palaces in major cities got converted into 'bioscope' projection houses.[17]

Madan theatres was one of the pioneers of the film distribution and theatrical business in India. They converted their theatres into projection houses, and acquired other theatres, until it had around 126 theatres throughout India and earned half of the box office revenues[18]. They mostly catered to Anglicized elite and imported movies from British before the First World War. They also entertained British troops during the war.

In the pre-independence era, movies were primarily screened as touring talkies, drive-ins in open grounds in towns/villages, panchayats and other places of consumption which drew large crowds of Indians. There was apprehension of large gatherings and this led to an imposition of multiple restrictions on the exhibition sector through Sovereign Acts.

The 1918 Cinematograph Act instituted censorship and the licensing policy for film theatres. This was followed by municipal and police rules in 1920 ordering that films should be shown only in built up premises and emphasized the need for greater financial accountability by the distributors. In 1923, the Bombay Entertainment Duty Act came into effect, levying high tax on utilising public places such as exhibitions for cinema.[19] The high taxation practices introduced in the early 20th century continue even today with the latest GST implementation bringing the exhibition sector under the highest GST slab of 28% for tickets priced above INR 100 - a situation in some single screens and most of the multi screen cinema halls. For tickets priced below INR 100, and for temporary transfer of copyrights for exhibition or for broadcasting, the applicable GST rates are set at 18%. Though GST has benefited exhibitors in a few states, where under the earlier indirect taxation structure of service and entertainment tax, the effective tax rates were as high as 45%, it has also had an adverse impact on regional cinema and states with lower entertainment taxes.

Till 1980s single screens ruled the exhibition industry with audience thronging to watch movies. It was only during mid-80s that the culture of multiplexes arrived in India and changed the dynamics of the cinema industry completely[20]. People slowly started shifting to swanky movie halls with amazing infrastructure and amenities; these multiplexes simultaneously ran movies across multiple screens and thus offered more choice for consumers. The earliest multiplexes were individual properties. Multiplex chains like INOX Leisure, PVR Cinemas, Cinepolis India and Big Cinemas gradually entered the market between 1990s to early 2000s and soon into the tier 2 and 3 cities. The largest multiplex in India is Mayajaal in Chennai, which has 16 screens[21].

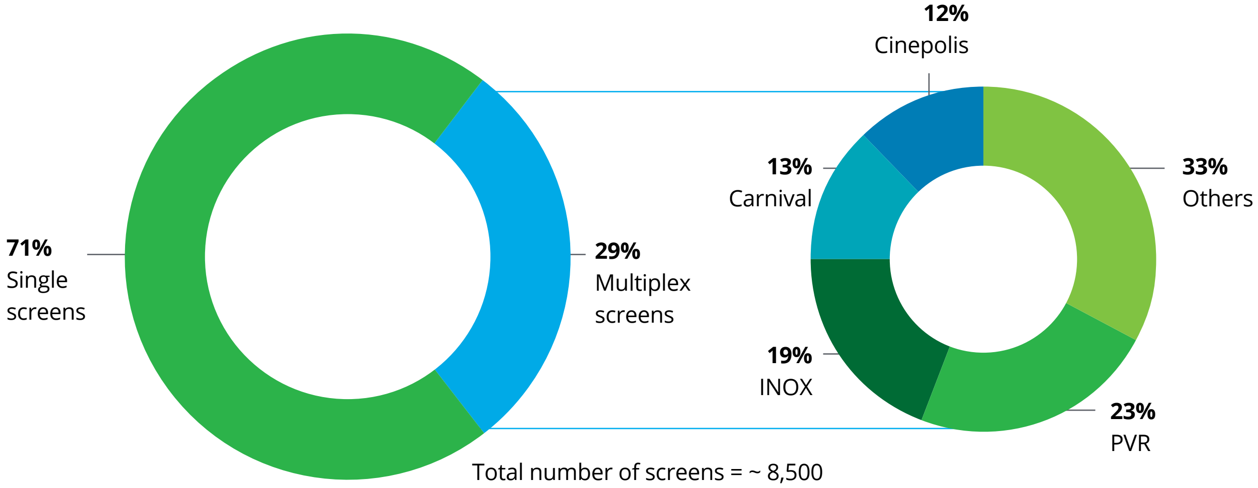
Current State of Film Exhibition Sector in India

The film exhibition industry in India is mainly comprised of single screen, and multiplexes. Most single screen properties in India are more than 50 years old and run by the second or third generation entrepreneurs. These properties were built in the pre-digital era when the analogue cinematography equipment and the physical reels posed exorbitant costs, upwards of INR 50,000. These together with the distribution costs necessitated a huge audience in order to be profitable per show. The result was that, theatres (single screens) were built with huge capacities – 500 to 1,000 seats per screen.[22] Such properties also required huge catchment area to drive footfalls to such a huge capacity theatre. However, with the advent of digital cinema, the print costs reduced to almost one fifth making it profitable to have smaller theatres[23]. As a result, most of the theatres that have come up in the last decade are small (up to 250 seats per screen) theatres. The reduced distribution costs, growing supply of content and appetite of the Indian consumer have also allowed them to have more than one screen per property.

In calendar year ending 2016, India had approximately 2,500 screens across multiplexes and 6,000 single screens. In terms of seating inventory, the 6,000 screens accounted for 88% share of seating capacity while remaining 12% was contributed by screens across multiplexes.[24]

[16] Indian Cinema – Origins to Independence
[17] Indian Cinema – Origins to Independence
[18] https://madantheatres.com/about/
[19] Indian Cinema – Origins to Independence
[20] Indian Cinema – Origins to Independence
[21] http://www.mayajaal.com/about-us
[22] Industry discussions conducted by Deloitte India
[23] Industry Discussions
[24] Deloitte India Analysis

Split of screens in India (Number of screens in May 2017)



Source: Company websites (as of May 2017)

Single screen segment in India is fragmented and controlled by multiple small players. The multiplex segment is largely corporatized, 67% of the multiplex screens are controlled by PVR, INOX, Carnival Cinemas and Cinepolis.[25]

In spite of a 13% CAGR in number of screens across multiplexes over the last 5 years, the overall screen count in India declined by 3% due to closing down of single screen theatres[26].

Since 2009, every year, approximately 5 to 10% single screens have shut down due to issues such as: [27]

- Limited content availability from distributors due to concerns regarding transparency of box office collections, technology employed for projection, piracy and geo location strategy for specific content
- Inability of single screens to compete with multiplexes in terms of viewing experience leading to decline in occupancy
- Limited capability of single screens to monetize ancillary revenue streams such as F&B and advertising
- Pressure on margins resulting from poor box office collections, minuscule share of ancillary revenues, unsustainable revenue share agreements with distributors, high taxes and fixed operating costs

For the multiplex industry, inability to organically grow screens at a fast pace due to lengthy regulatory process drove the players to add screens inorganically. Hence, of the 1,665 screens controlled by PVR, INOX, Carnival and Cinepolis in 2016, close to 41% have been acquired inorganically.[29] Carnival cinemas made the biggest acquisition (in terms of number of screens) of 290 screens from Big Cinemas, Broadway and Giltz over 2014 and 2015; 79% of screens owned by Carnival have been acquired inorganically. PVR acquired 167 screens from Cinemax and DT and INOX 133 screens from Fame Cinemas and Satyam.[30]

[25] Deloitte India Analysis
[26] Industry discussions, analyst reports, company reports
[27] Indywood – The Indian Film Industry, 2016
[28] http://www.business-standard.com/article/companies/coming-soon-multiplex-boom-across-india-115021101507_1.html
[29] Deloitte India analysis
[30] http://www.business-standard.com/article/companies/coming-soon-multiplex-boom-across-india-115021101507_1.html

Acquirer	Target	Year	Number of Screens Acquired
PVR	DT	2016	32
Carnival	Glitz	2015	30
Carnival	Broadway	2014	10
Inox	Satyam (Delhi)	2014	38
Cinepolis	Fun Cinemas	2014	83
Carnival	Big Cinemas	2014	250
PVR	Cinemax	2012	135
Inox	Fame Cinemas	2011	95

Source: Business Standard[28], Deloitte India Analysis

In 2016, all the multiplexes together added only approximately 250 new screens across India[31]. Following the consolidation wave in the industry now only a few targets are available for the large players. Going forward, the multiplex screens are expected to grow organically at a similar pace adding approximately 100 to 250 screens per year.[32] With a potential to consume content across approximately 7,500 to 10,000 multiplex screens nationally, growth of 100 to 200 screens per year seems to be highly inadequate to exploit the complete potential of this industry; at this pace, the industry will require more than 30 years to build consumption capacity that is required today.

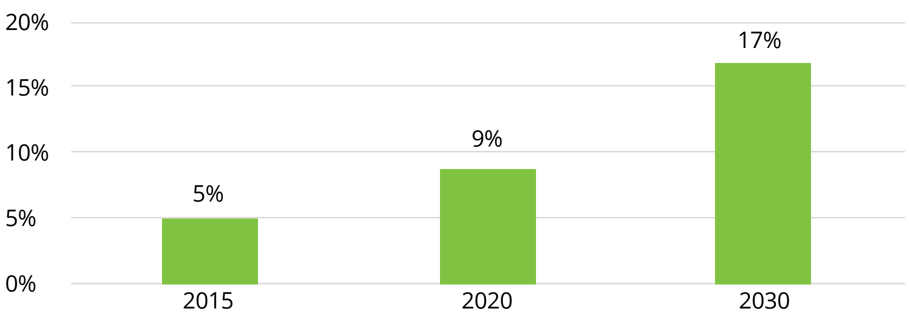
The missed opportunity - Cinema consumption potential in India

There is a huge market opportunity both from the demand perspective and the content supply. India has a growing middle class spread across metros, tier I and tier II cities with young population that is willing to spend on leisure activities. The supply of content is robust with regional industries thriving and Hollywood supplying content in dubbed languages. Digitization is enabling faster distribution of films and also elevating the overall cinema watching experience. While all constituents are in place, lack of availability of quality infrastructure (screens) is likely to lead to a missed opportunity for India.

Increasing disposable incomes and rising middle class:

India has a significant portion of its population within the working age group (15 to 59 years) and there is a growing number of graduates waiting to join the Indian workforce. According to the Brookings Institution, India is expected

India's share of global middle class consumption (PPP)



Source: Brookings Institute

"Over the years, Indian audiences have become increasingly appreciative and acceptive of content across languages, cultures and genres. We have witnessed with our releases like Marvel Studios Black Panther, Thor: Ragnarok, Avengers: Age of Ultron and Disney's The Jungle Book that audiences across cities and small towns have equally enjoyed these global blockbusters. This means, there is a huge demand for such world-class stories in tier 2 and tier 3 cities. To add, the screen density per capita is low and there is huge potential and opportunity for growth. We are working with industry players to find ways to improve screen count and increased support for digital content in smaller markets, where Motion Picture Association, India office titles don't get to hit some theatres today."

Bikram Duggal,
Executive Director and Head,
Studio Entertainment, Disney India

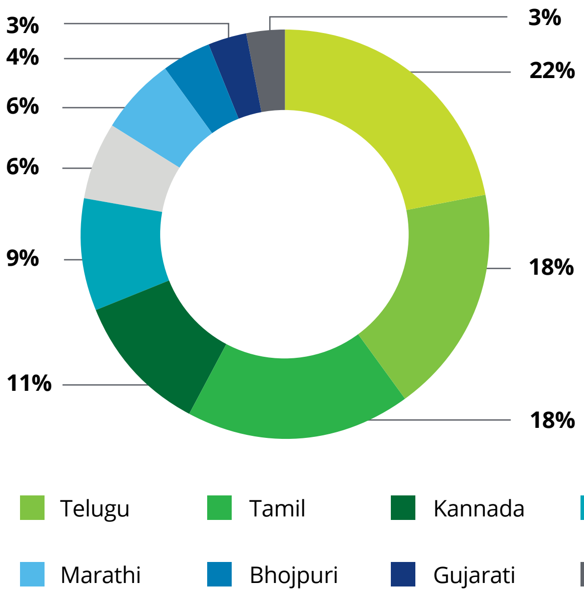
[31] Industry Discussions
[32] Industry discussions conducted by Deloitte India

to contribute ~35-38% of the next global middle class, between 2015 and 2022.[33] Growth in disposable income and rising middle class is likely to drive discretionary spending on leisure and entertainment thereby offering a huge potential for growth of Indian film Industry.

Focus on tier 2 and tier 3 cities: With the penetration of mobile and digital media, the audiences in tier 2 and 3 cities are maturing in terms of their media consumption habits and becoming more familiar with what the content film industry has to offer. However, the current penetration of multiplex screens in tier 2 and tier 3 cities stands at only 8 screens per city – 88% lower than the screen density in the tier 1 cities which stands at 66 screens per city.[34] There exists a market opportunity which needs to be capitalised fast to increase the overall pie for the Indian film industry.

Rise of Regional Content: Opportunity for growth from tier 2 and tier 3 cities is further amplified by availability of regional content. About 50% of box office collections today are contributed by regional films[35]. Moreover, on an average, producing a regional movie costs 73% less than producing a Hindi movie, thus attracting investments from large studios and producers.[36] Large national producers such as Reliance Entertainment, Eros, Disney, Viacom 18, Fox Star Studios and independent producers like Emmay Entertainment, Akshay Kumar and Grazing Goat Productions plan to spend 20% of their annual budget on regional cinema.[37]

Split of regional movies released during 2016



Source: Moviebuff

Availability of Hollywood and dubbed content: India is becoming an area of focus for Hollywood producers; to this end, Hollywood movies are being released in India either on the same day as their worldwide release or earlier. 'Jungle Book' and 'Inferno' released in India a week and two weeks before their US releases respectively. Dubbing of Hollywood movies in regional languages has also improved the availability of consumable content in tier 2 and tier 3 cities; the number of foreign films dubbed in Indian languages has doubled over the past 5 years[38]. Films are primarily being dubbed in Hindi, Tamil and Telugu. In 2016, 'Jungle Book' made 58% of its more than INR 2,000 mn box office collection from dubbed versions.[39]

Digitization: UFO Moviez and Real Image have facilitated the digitization of movies enabling wider distribution and reach; it has also helped in curbing the piracy of content and offering confidence to producers on monetization potential. The lower printing costs as compared to conventional printing has enabled producers to scale up the number of screens for release by as much as 5 times in the same budget.[40] Digitization has improved penetration of content in smaller cities and towns and has enabled simultaneous release of movies across theatres. Given that 60% of box office collections are realized in the first week of release[41], simultaneous release across theatres plays an important role in boosting box office collections. Reduction in cost of physical transportation and printing, lower running costs and convenience have led to better profitability economics for exhibition industry.

[33] Brookings Institute – The unprecedented expansion of global middle class
[34] Deloitte India analysis
[35] Indywood – The Indian Film Industry, 2016
[36] Deloitte India analysis
[37] Indywood – The Indian Film Industry, 2016
[38] Indywood – The Indian Film Industry, 2016
[39] Deloitte India analysis
[40] Industry discussions conducted by Deloitte India
[41] INdywood – The Indian Film Industry, 2016

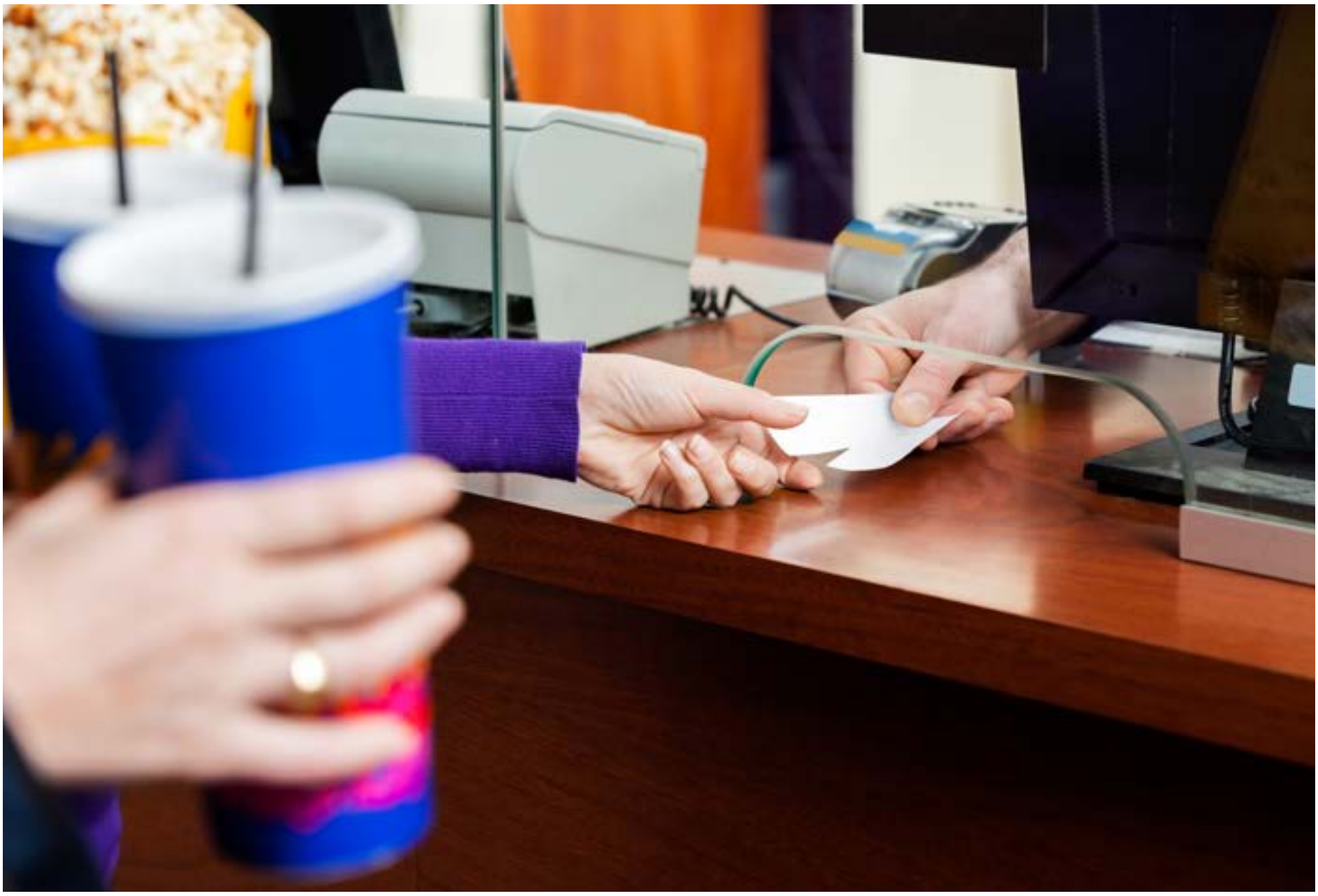
Indonesia – recognising its market potential

Indonesia, with only 1,117 screens to serve a potential audience of more than 255 million people, is one of the least penetrated cinema markets in the world.[42] The country has a growing middle class which is expected to account for nearly half the population by 2030, up from 19% in 2012.[43] Since 2011, the Indonesian government has been moving towards a free-market policy around the film industry. In 2016, it removed film projection, production and distribution from its list of businesses with foreign investment caps. This has resulted in significant foreign investments into the country and also associated increase in performance of existing chains. For example,

- CGV cinemas reported a massive 150% increase in its footfalls between 2012 and 2016.[43]
- Singaporean sovereign wealth fund GIC entered into a strategic partnership with Nusantara Sejahtera Raya (NSR), Indonesian cinema operator for USD 260mn[43] and
- South Korean exhibition giant CJ-CGV increased its stake in CGV-Blitz from 14.75% to 40.25% for USD30 mn.[44]

The Indonesian film industry expects that favourable government environment is expected to allow the market to add 500-600 new screen additions every year for next 10 years and reach a base of 5000-6000 screens.[45]

[42] Opening Indonesia's Film Industry to Foreign Investment, 26 May 2016 - https://www.indonesia-investments.com/news/todays-headlines/opening-indonesia-s-film-industry-to-foreign-investment/item6859?
[43] Indonesia's CT launches cinema blitz to boost retail chain, Nikkei Report, 19 January 2017
[44] http://variety.com/2016/biz/asia/cj-cgv-increases-stake-in-indonesia-blitz-1201746944/
[45] http://variety.com/2016/film/global/indonesia-film-business-rebounds-1201725645/



Exhibition Sector: Key Challenges

"The top multiplex chains at most points in time have around 50 screens fitted out and staff hired, waiting for some approval to be granted; approvals are held up at two levels – approval for malls, and then approval for a multiplex within the mall"

Devang Sampat
Director, Strategic Initiatives, Cinepolis

With a contribution of 72% to the Indian film industry, domestic box office collections play a critical role in accelerating the growth of the Indian cinema.[46] In spite of producing more movies than any other market across the globe, domestic box office collections in India have seen a muted growth due to:

- **Limited accessibility to screens:** Screen density varies widely across India – with as many as 20 screens per million of population in some of the states in south and as low as 1.5 screens per million in the northeastern states[47]
- **Structure of the exhibition sector:** Traditionally, India's exhibition sector has been largely driven by single screen theatres. However, with increased spending power, consumers are spoilt for choice and demand a better experience, making it difficult for single screens to compete. There is a need for increasing screen density through the growth of multiplexes that are able to meet the demands of today's consumer
- **Lower Average Ticket Prices (ATP):** ATP across multiplexes, are comparable to the global ATP (USA and China for example) when adjusted for the purchasing power parity. However, the higher mix of single screens, selling tickets at much lower prices, drives the average ATP in India much below the global average. Addressing the structural rift between single screens and multiplexes will help the industry address the issues of ATP. Comparable occupancies (for a much smaller seat inventory) at multiplexes for higher ticket prices as compared to single screens is a testimony of consumer willingness to pay for better experience. Capping on ticket prices, adopted by some states, is another deterrent inhibiting the growth of ATPs
- **Rampant Piracy:** Availability of the film content via illegal platforms is one of the key reasons for lower occupancy rates. While Government has started taking steps in the right direction, with the formation of Telangana Intellectual Property Crime Unit (TIPCU) and Maharashtra's Digital Crime Unit (DCU) to deal with on-line piracy, more stringent measures and implementation practices need to be adopted

Improving screen density by promoting the growth of multiplexes is need of the hour for the industry to address challenges associated with poor accessibility, lower than average ATPs and sub optimal customer experience.

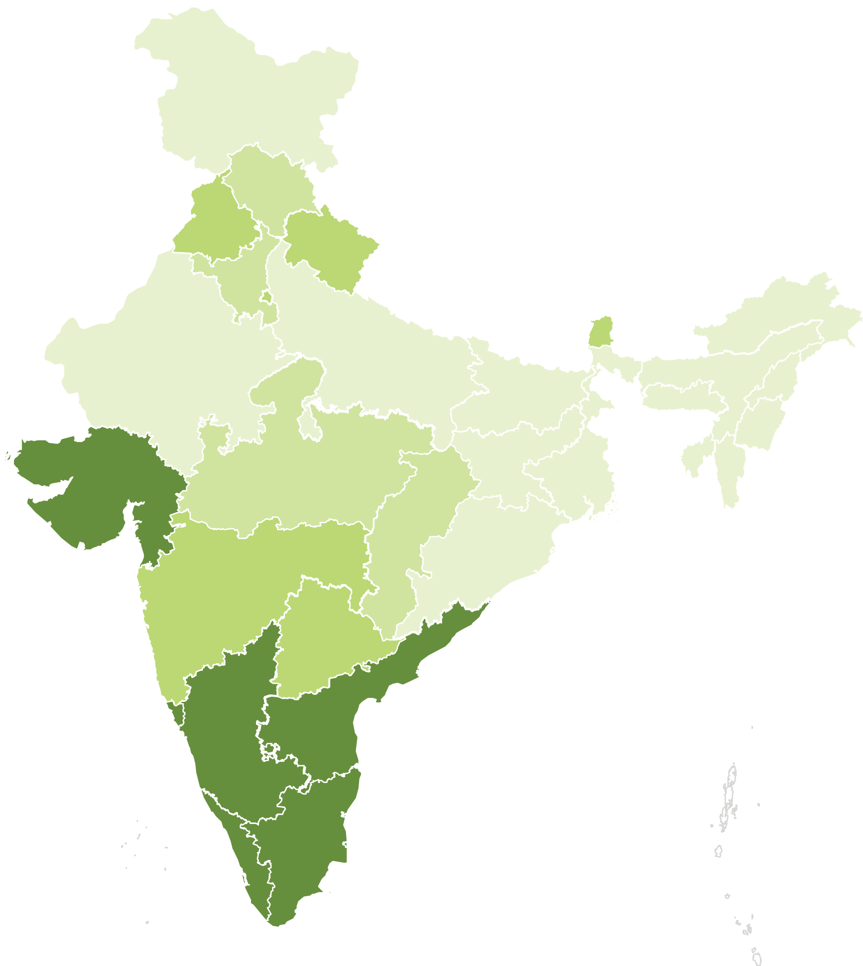
Current situation of Screen Density in India

Screen density is defined as the number of screens available in the country per million of population. Screens (across theatres) provide a primary platform for producers, directors, actors and the entire film fraternity to exhibit their work to audiences across the globe. Screen density plays a pivotal role in shaping the economics of the exhibition sector and film industry in general by defining collections from one of the biggest revenue streams – box office. Some of the benefits of improving screen density are cited below:

- Higher accessibility: Easier accessibility of theatres improves the convenience of enjoying a cinema experience thus incentivizing people to watch movies on big screens
- Establishments of screens help in improving socio-economic status by enabling local businesses to thrive from increased footfalls in the area; moreover, it also benefits the real estate sector by increasing the demand
- Increasing the penetration and density of screens helps in promoting cultural and social messages amongst a wider audience base. In pre-independence era, local cinema was used as a tool to promote the message of independence amongst the youth, making cinema a key target for widespread regulation by the English.

[46] Deloitte India Analysis
[47] Census 2011, DAVP

State-wise screen density across India (2016)



Screen density Categorization	Screen density range (screens/mn population)
High	>10
Moderate	<10 and >6
Low	>4 and <6
Very low	<4

Source: Census 2011, DAVP website

Screen Density Tables

States	Population (Mn)	Screens/ million
Uttar Pradesh	207.3	2.6
Maharashtra	112.4	9.2
Bihar	103.8	2.7
West Bengal	91.3	4.8
Madhya Pradesh	72.6	4.0
Tamil Nadu	72.1	12.6
Rajasthan	68.6	3.6
Karnataka	61.1	13.3
Gujarat	60.4	11.0
Andhra Pradesh	49.4	28.1
Orissa	41.9	3.7

States	Population (Mn)	Screens/ million
Telangana	35.3	6.2
Kerala	33.4	14.6
Jharkhand	33.0	2.4
Assam	31.2	2.5
Punjab	27.7	8.7
Chhattisgarh	25.5	4.9
Haryana	25.4	5.5
Delhi	19.0	5.4
Jammu and Kashmir	12.5	2.3
Uttarakhand	10.1	7.2

Source: 2011 Population Census, DVAP Website, Deloitte Analysis

In spite of the many benefits associated with a higher screen density, at six screens per million of population, India has one of the lowest screen densities in the world. To add to this, India's screen count has reduced from 10,345 in 2011 to approximately 8500 in 2016 aid-growth of 3% over a period of five years. Reduction in screens can be mainly attributed to the shutting down of single screen theaters across India; 5 to 10% of the single screens have shut down every year over the past five years, reducing the count from 9,300 in 2010 to 6000 in 2016.[48] While the single screens have closed down due to competitive forces and profitability related issues, number of screens across multiplexes have not grown to fill the void.

Screen density varies widely across India – with as many as 20 screens per million of population in some of the states in south and as low as 1.5 screens per million in the northeast states.[49] Exhibition industry has flourished in the south due to the support extended by the government for development of the film industry. Gujarat also enjoys one of the highest screen densities due to ease of setting up screens from a regulatory process perspective. The remaining states offer much scope for increasing the number of theatres.

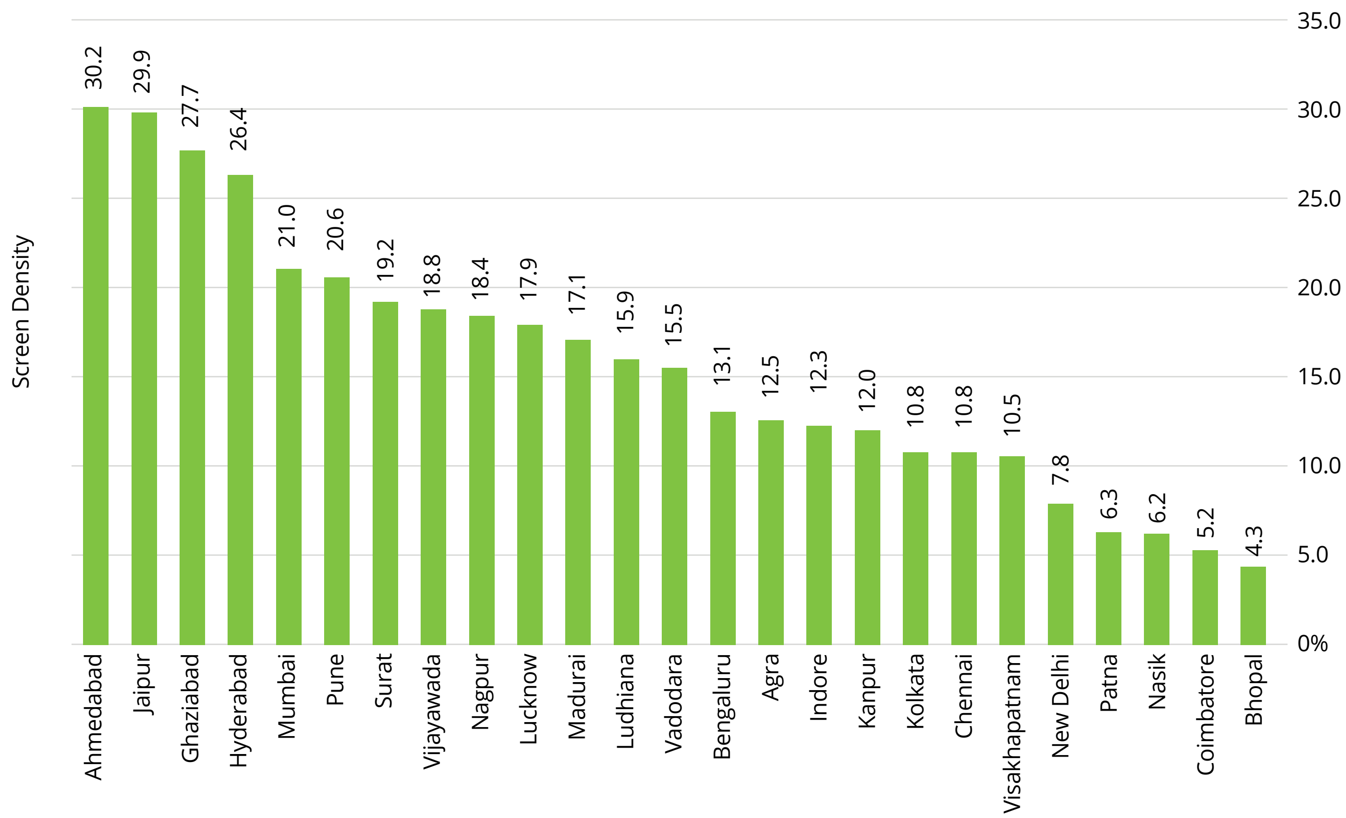
The current screen density in India across 25 prime cities, as of 2016, is shown in the chart below.

It is evident from the graph that there is a stark difference in screen density within metro cities as well. Mumbai has a screen density of ~21 screens per million whereas the screen density is New Delhi is only 7.80 screens per million.

Impact of Low Screen Density

Low penetration of screens prevent the producers and distributors from monetizing a movie to its full potential. With nearly 2,000 movies produced in India annually, there are more than 30 movies releasing every weekend; these movies are vying for 8,500 screens across the country leading to an average of only 250 screens available per movie.[51] However, since these movies are across different languages, the number of

Screen density across 25 prime cities[50]



Source: Industry Discussions

[48] Deloitte India analysis
[49] Deloitte India analysis
[50] Industry Discussions
[51] Deloitte India analysis

screens available for movies varies. There is a further pressure on the screens when more than one popular movie sees a simultaneous release, limiting its ability to realize full potential on the opening weekend. Smaller independent movies and regional movies are most affected as they lack the negotiating power for distribution and resources for marketing. 'Bahubali-2', one of the leading movies of 2017, saw one of the widest releases - across 6,500 screens. 'Sultan' was released in 4,350 screens[52]. 'Dangal' – one of the leading movies of 2016 - was released across 4,250 screens and is estimated to be viewed by less than 2.5% of the Indian population in theatres; comparatively, yesteryear blockbusters such as Mughal-e-Azam (1960) and Sholay (1975) were viewed by 5%-6% of Indian population, then, in theaters.[53] This indicates the opportunity for increase in collections for blockbusters, provided there are enough number of screens and competitive running time.

With international movies making in-roads in India and regional movies travelling beyond the linguistic boundaries, the competition for screens is becoming fiercer and the running time in theatres is becoming shorter. When one compares the performance of Indian movies such as Dangal, domestically vs in foreign countries, the results throw up the glaring problem of lack of screens in the country.

Factors limiting the growth of screen density in India

Complex regulatory framework, multiple taxation, decentralized and highly complex operating environment are some of the key challenges hampering the growth of screen density in India.

Regulatory Framework Governing the Exhibition

The exhibition industry in India is regulated by The Cinematograph Act, 1952 at the national level. Center makes provision only for the cinemas which are directly under its administration and directs the State Government to have similar legislation for regulation of cinemas in the State. Thus, each of the states have introduced a Bill independently to introduce a licensing system for the film theatres. Most of these bills have been introduced in the 1950's and are more than six decades old. The provisions of these bills across states are almost similar.

Key points pertaining to licensing are as follows:

- The authorities approving the licensing of theatres are: a District Magistrate; or a Sub-divisional Magistrate; or a Commissioner of Police
- The Cinematograph Regulations of various states mandate three key regulatory requirements in setting up a theatre business in India:
  - location clearance,
  - construction clearance and
  - business license
- Each of these clearances require the applicant to make an application to the regulatory body. The application has to be supported with various No Objection Certificates (NOC) and certificates which the applicant has to procure by independently approaching various government departments.

Annexure-I and Annexure-II provides deeper insights from comparison of regulation and associated rules across states in India.

Almost all the workflows related to approval are managed offline in most of the states and require the applicants to visit the concerning department in person to submit the relevant documents in hard copy to make the application.

Comparison of Dangal's performance between India and China

	Dangal	
Country of release	India	China
Year of release	2016	2017
Lifetime domestic box office collection (USD mn)	76	152
Number of screens across which the movie was screened	4,250	9,000
Running time in theatres (in weeks)	24	5
Opening weekend collection (USD mn)	30	15
ATP (USD)	2	4

Source: Deloitte analysis

[52] http://www.livemint.com/Consumer/gAvNZlAeMzMtFERBT9RtaM/Salman-Khans-Sultan-soars-at-box-office-with-Rs3654-cror.html
[53] Deloitte India Analysis

Key regulatory processes involved in setting up a new theatre in India

	Location clearance	Construction clearance	Business License
Key requirements for application	• Detailed plan • Ownership documents • NOC for detailed plans and parking layout from: Municipal building and property department, local corporation, Fire Department, Public works department, Collector	• Location clearance • Approved plans of construction • NOC from the Chief Fire officer	• Occupation certificate • NOC from: Electrical Inspector, Health Officer, Fire department, Traffic Police, Public Works department, telephone exchange/ internet service provider
Approval process	• Invite objections from local citizens • Enquiries by the local police station • Traffic department approval • Government approval	• Review the application and papers submitted • Provide NOC	• Submit proposal to the government for sanction • Issue license after the receipt of permission
Key regulatory requirements for approval	Ownership; Proximity to public institutions such as schools, hospitals and government offices	Possession of valid ownership documents and NOCs	Architectural specifications for entrances, exits, seating, ventilation, lighting
Approximate time for approval	6months	2months	6months

Source: http://thanepolice.gov.in/faq.php

The regulatory requirements, multiplicity of departments and lack of streamlining leads to many complications for the exhibition players. The key concerns faced by the exhibition players incude:

- **Multiple regulatory authorities**
  There is a dependency on at least six different government departments to get the location NOC. Each of these departments have to be approached in person to solicit the required approval. Similar is the case for the construction clearance and the business license. An exhibitor is required to contact people across the 5 key departments and approving authorities many times and secure over 15 to 20 approvals to obtain a business licenses. Process of approaching multiple departments and coordinating across multiple touchpoints makes the entire process very time consuming and inefficient, thus discouraging new investments in this industry.

- **Long gestation period**
  The regulatory clearances for opening a new cinema theatre on an average takes three to six months. However, there have been several instances where fully constructed and ready to operate facilities have had to wait for more than 2 years post construction in order to get the business license[54].
  It is essential to take cognizance of the significant opportunity costs that are borne by a cinema entrepreneur as they await a cinema business license to open doors to the public. Moreover, most of the cinema owners also appoint the required staff and take electrical connection in anticipation of obtaining the license. Thus, the long gestation period also leads to massive losses as many theatres, fully constructed and ready to function, await the business license to start operations.

- **Absence of provisions for evolving trends**
  The cinema regulation acts enacted by the states are nearly six decades old and require a revisit in order for it to be made contemporary, in order to make the process of setting up new screens in tune with the current times and also make it an effective tool to counter modern challenges such as piracy.

- **Inability to track the status of application**
  The states which still conduct the process offline makes it difficult for applicants to track the status of their application. The absence of transparency in application status stands as a demotivating factor and impacts investor sentiment.

- **Regulations pertaining to single screens**
  Regulations related to single screens are seen to be adversely impacting

[54] http://www.thehindu.com/news/cities/chennai/pvr-cinemas-application-for-licence-pending-for-over-2-years/article7914236.ece

the business for the owners. On one hand, in a bid to prevent the theatres from closing down, certain states such as Maharashtra have introduced exit regulations restricting single screen properties from redeveloping into commercial properties. To redevelop a cinema theatre a capacity of 1,000 seats, it is mandatory for exhibitors to build a smaller cinema theatre of 330 seats at the same place prior to re-development.

On the other hand, the single screen theatres fail to qualify the infrastructure requirements for multiplexes such as parking space. Hence it is difficult to convert most of these single screen theatres into multiplexes. Renewal of licenses for single screen theatres is also challenging as they are expected to comply with the requirements for modern theatre properties.

As a result, quite a few theatres have been lying defunct. It is essential to review the regulations for single screens and facilitate monetization of these properties.

Taxation

Prior to 1st July 2017, the film exhibition sector was levied with both Central as well as State levies. Levies from centre include service tax and customs duty while the state taxes include VAT and entertainment tax on different sources of income. The base service tax was fixed at 14% which had two types of cess on top of it, the Swach Bharat Cess (SBC) at 0.5% and Krishi Kalyan Cess at 0.5%, bringing the effective service tax rate to 15%.[55] While service tax was exempt on exhibition of movies and temporary transfer of copyright by distributor to exhibitor for exhibition of cinematographic films in theatres, it was required to be paid on all other services, including temporary transfer of copyright for exhibition of cinematographic films other than for exhibition in theatres. The levy and collection of entertainment tax was under the purview of the state governments as provided under Article 246 of the Indian Constitution. For the exhibition sector, this tax was applicable on the value of the gross ticket sale and the tax rate varied from state to state. The table below shows the entertainment tax rate across states in India. Combination of taxes increased the effective tax liability of an exhibitor to more than 100% in some states.

In addition to the limited exemption under service tax as mentioned above, the state governments, at their discretion could provide exemptions for entertainment tax. This exemption varied from state to state and was focused

Table. Entertainment tax in India (prior to July 1, 2017)

SN	State	Entertainment Tax
1	Andhra Pradesh	20% (15% for Telugu Films)
2	Assam, Himachal Pradesh, Jammu & Kashmir, Punjab and Uttaranchal	Nil
3	Bihar	50%
4	Delhi	20%
5	Gujarat	20%
6	Haryana	30%
7	Jharkhand	110% (Nil for Jharkhand films)
8	Karnataka	30% (Nil for Kannada films)
9	Kerala	30%
10	Madhya Pradesh	20%
11	Maharashtra	45% (Nil for marathi films)
12	Orissa	25%
13	Rajasthan	30% (Nil for Rajasthani films)
14	Tamil Nadu	15% (Nil for Tamil films)
15	Uttar Pradesh	30% to 40%
16	West Bengal	30% (2% for Begali films)

Source: http://www.filmtvguildindia.org/

[55] Industry discussions conducted by Deloitte India

on promoting exhibition of regional cinemas. For example: Tamil Nadu government provided a 100% exemption on entertainment tax for films which had Tamil names.

With the GST implementation from July 1, 2017, the central and state taxes are subsumed into one tax which is levied in two tax slabs: 28% for tickets priced above INR 100 and 18% for tickets priced up to INR 100.[56] Most of the other services and various goods that are relevant to the sector are now liable to GST at 18%.

Illustrative comparison of pre-GST and post-GST liability for a Hindi language movie, which enjoys no exemption across states is shown below:

Detail	Units	Maharashtra		Tamil Nadu		Assam	
		Pre-GST	Post-GST	Pre-GST	Post-GST	Pre-GST	Post-GST
Ticket price	**INR**	**200**	**200**	**200**	**200**	**200**	**200**
Entertainment tax rate	%	45%	-	15%	-	-	-
GST	%	-	28%	-	28%	-	28%
LBT	%	-	-	-	20%*	-	-
Tax liability	**%**	**45%**	**28%** ↓	**15%**	**48%** ↑	**-**	**28%** ↑
Total tax liability	**INR**	**90**	**56**	**30**	**96**		**56**

Source: Deloitte India analysis

*Considering a non-Tamil movie; for Tamil movies, LBT is 8%

The GST regime provides the exhibition industry with the benefit of obtaining input credit, previously not available. For example, previously, tax paid on rent, common area maintenance, security, housekeeping etc. was not fully available for set off against output liability. Similarly, tax paid on purchase of goods was also not available to an exhibitor. Compared to the earlier regime, this set off would enable the industry to reduce their costs in the form of lesser tax liability.

Country-wise Comparison[57]

Country	Standard VAT/ GST	VAT/GST on theatre admissions
Austria	20%	10%
Belgium	21%	6%
Finland	24%	10%
France	20%	10%
Germany	19%	7%
Netherlands	21%	6%
Sweden	25%	6%
India	5%, 12%,18%, 28%	18% or 28%

Source: Vatlive.com

[56] http://www.business-standard.com/article/economy-policy/gst-impact-entertainment-tax-tweaking-by-states-results-in-disparity-117070401028_1.html
[57] https://www.vatlive.com/vat-rates/international-vat-and-gst-rates/

While GST is expected to provide some respite to exhibition centers in high taxed states such as Maharashtra, centers in states such as Assam which had zero entertainment tax are expected to feel the pinch. Also, regional cinemas are expected to be hit the worst. Prior to GST, regional cinemas were incentivized by the states by having to pay either zero taxes or subsidized taxes. For example, in Maharashtra which was one of the states with high tax rate, Marathi movies were made tax-free. The tax subsidy has played a key role in the growth of the Marathi movie industry in the recent past. Thus, the new tax regime is expected to hurt the regional cinema. Also, in the pre-GST era, state governments would offer entertainment tax concessions to cinema exhibitors for first few years of operation in order to enable them to remain viable and competitive against established players; since the implementation of GST, a system to incentivize new theatres under construction is yet to be formulated.[58] Many of the state governments previously allowed tax exemption for new properties; this practice is abolished under the new tax regime.

Single screen properties, which are already operating at wafer thin margins due to high operating costs and dwindling footfalls, are expected to be impacted significantly by the new tax regime in states. The multiplexes on the other hand are expected to become costlier for most of the consumers (especially those in the states charging lower entertainment tax previously). This may affect the occupancy levels as the Indian audience is extremely price sensitive.

When compared to the global counterparts, the tax levels for cinema are on the higher side. Given the growth phase of the industry and the price sensitive audience, high taxes pose a serious challenge to the growth of the industry.

While GST was set to subsume entertainment tax, states retained the option to levy local body tax over and above GST in order to cover for the loss in revenue. For example, state of Tamil Nadu has empowered its local bodies to collect 8% tax on movies in Tamil language, and 20% tax for movies in other languages. This tax is levied over and above the GST rates of 18% (For tickets up to INR 100) & 28% (for tickets priced above INR 100)[59]. Such taxes recreate the challenges that industry faced in the pre-GST era.

[58] CIT vs. Chaphalkar Brothers Pune (Supreme Court)
[59] http://www.business-standard.com/article/economy-policy/tamil-nadu-govt-reduces-local-body-entertainment-tax-to-8-ahead-of-diwali-117101300829_1.html

Piracy
Availability of film content illicitly while the movie is still in the theatres has been dampening the box-office collections and has become a grave concern for the entire industry. Technological advancements are allowing easy dissemination of pirated content while lack of government initiatives to curb piracy has been leading to massive losses for the industry. The Indian film industry is estimated to incur losses of around INR 180 bn ($2.7 billion) and over 60,000 jobs every year because of piracy.[60]

Some of the key trends which have led to a growth of piracy are:

- **Increased proliferation of illicit cam-recording:** Illicit camcording is the primary source of unauthorized copies of newly-released movies found online. Superior and portable video recording devices enable easy recording and clean digital copy of a movie with perfect audio that can be quickly distributed online.
- **Digitization:** The film industry has increasingly adopted digitization of film prints to cut the cost of recording, storing and copying of films for distribution. Digitization has increased the risks involved in leaking and piracy manifold.
- **Pre-release piracy leak:** Distributors are opting for a simultaneous global screening, which requires the dispatch of prints some 10-12 days in advance, leading to pre-release leakage of prints.
- **Ineffective counter technologies:** Sophisticated technologies like the watermarking of prints, which allow producers or rights holders to monitor the usage and movement of each print across the globe, have failed to provide protection due to the clandestine recording of pirated versions which are mostly done in low-light setting of a cinema theatre, or from the projector room.
- **Improving mobile and internet penetration:** Increasing internet penetration, smartphone penetration and cheaper data rates have improved the accessibility of pirated content.

[60] https://www.thequint.com/entertainment/2016/08/22/indian-films-are-losing-dollar27-billion-to-piracy-every-year

Development of China's film exhibition industry – a remarkable growth story

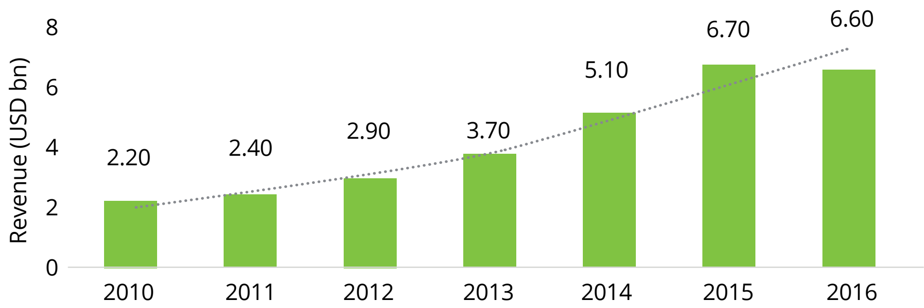
"India has 8,500 screens and China has 45,000. India will catch up on the screen density and has a market place to accommodate growth for all players"

Kailash B Gupta
Chief Financial Officer, INOX

Overview

As on December 2016, Chinese film industry was ranked second in the world in terms of box office collections; however, this was not the case six years ago. Over the last six years, Chinese film industry has seen a significant rise in box-office collections, growing 200% from USD 2.20 bn in 2010 to USD 6.60 bn in 2016. Today, China accounts for approximately 17% of the global box-office market share[61]. In the same period, the market leader in terms of box office collections, US and Canada, have grown by 8%.

Growth of chinese box-office collections



Source: Ent-group; Motion Picture Association, India office

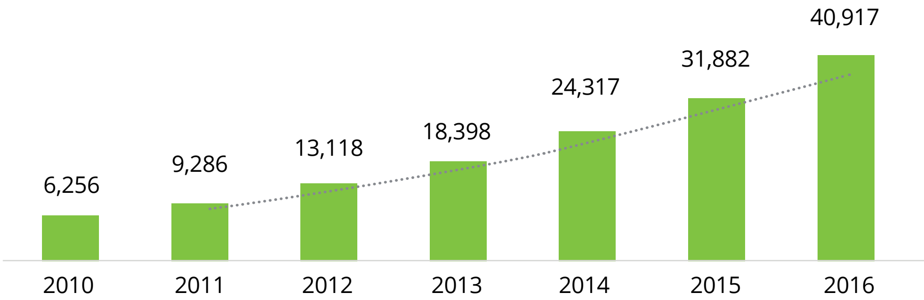
The Chinese film industry contributed nearly USD 9 bn to China's Gross Domestic Product (GDP) in 2014 considering direct and indirect contribution in the form of purchases, wages and taxes in the industry[62]. At the current pace of box-office growth, China's box office collections are predicted to reach USD 15.07 bn by 2020; this growth in the box office collections will benefit all the players across the value chain while contributing more than USD 20 bn to the GDP.[63]

China's exhibition sector screens a mix of domestic and imported films with approximately 55%[64] of box office collections being contributed by domestic films. On an average, China produces more than 700[65] domestic films, with approximately 58%[66] of these movies finding their way to theatrical screening. Collections from imported films are mainly driven by Hollywood movies which are highly popular among the Chinese. In spite of the Chinese government policy limiting the number of foreign film imports to 34 releases a year, a staggering 41% of box office collections come from imported films. Preference for Hollywood movies is better understood when we look at China's contribution to top five grossing Hollywood movies of H1 2017. The revenue contribution from China for these movies stood at 17%, comparatively, US domestic markets contributed 35%[67].

[61] Motion Picture Association, India office-Theatrical-Market-Statistics-2016
[62] Oxford economics – The economic contribution of the film and television industries in China, 2015
[63] Deloitte estimate
[64] Ent-group
[65] Ent-group
[66] Ent-group
[67] Media reports, news articles

Growth in number of cinema screens has increased the reach of domestic and imported films across China thus playing a significant role in growth of the Chinese film industry. Back in 2010, China had a screen density of 5 screens per million which translated into box office collections of USD 2.20 bn.[68] Since 2010, China added an average of 16 screens per day to reach 40,917 screens in 2016; this 36.75% CAGR of screens increased the box office collections at a rate of 20.09% CAGR over the same period to reach USD 6.60 bn in 2016.[69]

Number of screens in China



Source: Ent-group; Hollywood reporter

To put this into perspective, the highest grossing Chinese film of 2009, 'The Founding Of A Republic', earned USD 64.32 mn in box-office collections while the top grosser of 2016, 'The Mermaid', earned USD 505.36 mn. Between 2010 and 2016, the screen count rose by ~34,661 screens.[70]

Top 4 movies of 2009[71]		Top 4 movies of 2016[72]	
Movie name	**Box office (USD Mn)**	**Movie name**	**Box office (USD Mn)**
The Founding of a Republic	64.32	The Mermaid	505.36
Bodyguards and Assassins	41.96	The Monkey King 2	183.77
Red Cliff II	39.82	The man from Macau 3	168.45
A Simple Noodle Story	39.20	Skip trace	135.22

In terms of absolute screen count, China has surpassed US through its growth spurt over the last six years making it the largest market in terms of number of screens; as on December 2016, US had 40,174[73] indoor and drive-in screens. However, given the size of China's population (1.4 bn) with respect to that of US (0.32 bn), screen density in China stands at 30 screens per million people as compared to 125 screens per million in the US.[74]

Key Growth Drivers

China's growth story can be largely seen as a function of favourable macro-economic trends along with a slew of government and industry led initiatives focussed on developing the film industry as a key economic driver. Some of the key growth drivers have been detailed in this section.

Government's Focus on Improving the 'Ease of Doing Business' in Film and Entertainment sector[75]

Government is seen to have played a key role by introducing policies focussed on supporting the growth of screens in exhibition sector.

- Through a decree in 2009, the government introduced Value Added Tax (VAT) and Business Tax exemption for qualified enterprises in the film industry. The decree also covered reduction of Business Tax rate for culture focused companies
- In 2010, the film industry was earmarked as a strategic industry encouraging financial institutions, including banks and funds, to expand financing channels to players from the film fraternity; this improved affordable and more reliable financing options available for the industry thus promoting growth and investments.
- In 2014, the government released Decree No. 56 which aimed at establishing special funds to support the production of films and

[68] Ent-group
[69] Deloitte India analysis
[70] Ent-group;Hollywood reporter
[71] https://shaoyis.wordpress.com/2010/01/10/top-10-box-office-chinese-films-of-2009/
[72] http://www.Chinawhisper.com/top-10-chinese-films-of-2016/
[73] http://www.natoonline.org/data/us-movie-screens/ accessed on 22 June 2017Updated
[74] Deloitte India analysis
[75] https://chinaselaw.wordpress.com/2016/07/24/a-top-down-approach-tax-incentives-and-their-effect-on-the-chinese-movie-industry/

construction of movie theatres. The aim for construction of movie theatres was focused on bridging the gap between China's rural areas and big metropolitan areas.

- The Chinese government has arranged for fiscal benefits for the industry by setting up a film development special fund tax. The National Film Industry Development Special Fund Office of the State Administration of Press Publications Radio Film and Television applies a "Special Film Fund" tax of 5% on net box-office collection, which is used to support the making of special-themed films and to support the renovation of movie theatres.
- Additionally, through a directive in 2016, government announced that if a cinema hall makes at least two-third of its revenue from exhibition of Chinese movies, the exhibitor would be provided with a rebate of 50% on its payment of the Film Development Special Fund Tax.[76]

Demographic and Macroeconomic Trends

- **Rapid Urbanization[77]:** Over the past twenty seven years, China's population has seen rapid urbanization.[78] The urban population increased from 24% of the total population in 1990 to 57% of the population in 2017, an increase of more than 500 million people.[79] By 2030, China is projected to have 70% of its citizens living in urban areas. Further, it is reported that the Chinese middle class population is predicted to increase to more than 60% (in each territory) by 2020. Development of infrastructure, real estate and malls, growth in demand for entertainment zones etc. are some of the outcomes from urbanization that have attracted investments in exhibition sector. In comparison, India, China's next in terms of population numbers, is projected to have 600 mn (approximately 40%) urbanized by 2031.[80]
- **Rise in disposable incomes:** Rise in disposable incomes is another by-product of urbanization. China's personal disposable income has increased at a CAGR of 10.7% between 2010 and 2017 to reach USD 3,780 per head in 2017. Accordingly, spend on leisure and education has increased 2.5 times over the last seven years and is expected to reach USD 380 in 2017.[81]

Rapid pace of urbanization and rise in disposable income have increased the capacity of locals to spend on entertainment and leisure thus incentivising the industry to invest in building new screens. In 2016, China sold 1.37 bn tickets translating to nearly 1 ticket sold per citizen.[82]

Focus on Under-penetrated Rural Regions

It is estimated that 30% of the population living in Tier 1 and Tier 2 cities in China contribute towards 60% of box office collection; China has over 30 cities categorized as tier 1 and tier 2[83]. To bridge this gap, China has made and is planning to make appropriate provisions for growth in rural regions.

- **Tax Exemptions[84]:** In 2014, Chinese government passed a policy providing an exemption on VAT for distribution and exhibition of films in rural areas until 2018; this move from government is perceived to have increased the attractiveness to set up and operate movie theatres in rural areas
- **Development of rural film screening infrastructure[85]:** China had released a draft 'Film Industry Promotion' law on 6 November 2016. According to it, the government committed to increase the support for the rural film screenings, continuously improve the capacity of film viewing in rural areas, and provide the people with exceptional, quick and easy film viewing services. The local governments were asked to establish and improve service networks for such screening services. In addition, local governments were required to include the construction and reformation of movie theatres into the people's economic and social development plans, culture industry development plans, overall land use plans and urban and rural overall construction plans.

Film Industry-led Initiatives

There have been several industry led initiatives focussed on improving affordability of tickets, offering insights for a more data driven distribution, and partnership based go to market strategies focussed on improving box office collections.

- **Dynamic Pricing:** China's leading online ticketing companies such as Baidu, Weiying, Maoyan offer discounted movie tickets that are priced well below the cinema hall prices Example: If a movie ticket is worth USD 4 in the theatre, online ticketing companies sell it as low as USD 2. Such offers, with heavy discounts have spurred ticket sales and corresponding revenue growth. In 2010, 3 in 10 tickets were sold online; as of Q1 2017, this number

[76] http://variety.com/2016/film/asia/china-to-boost-local-films-with-tax-break-1201740838/
[77] World Bank – Urban China
[78] Urban China : Toward Efficient, Inclusive, and Sustainable Urbanization
[79] Deloitte India analysis
[80] http://www.worldbank.org/en/country/india/overview#2
[81] EIU, Deloitte India analysis
[82] http://www.hollywoodreporter.com/news/China-box-office-growth-slows-37-percent-2016-official-data-shows-960217 accessed on 22 June 2017
[83] JP Morgan – China Media; Head to the cinemas, skip the red-carpet https://ggiforum.com/consulting/financial-developments/760-a-top-down-approach-tax-incentives-and-their-effect-on-the-chinese-movie-industry-2.html
[84] https://ggiforum.com/consulting/financial-developments/760-a-top-down-approach-tax-incentives-and-their-effect-on-the-chinese-movie-industry-2.html
[85] https://ggiforum.com/consulting/financial-developments/760-a-top-down-approach-tax-incentives-and-their-effect-on-the-chinese-movie-industry-2.html

stands at 8 out of 10 tickets being sold online.[86]

- **Data Analytics in Film Distribution**: The advent of internet technology firms such as Baidu, Alibaba and Tencent has enabled the use of data analytics in planning movie distribution. In 2014, Break Buddies, prior to its official release, used internet ticketing agency Meituan to gather over RMB 100 million in box office revenue through advance ticketing. The film achieved a screening rate of 36%, surpassing films released during this period. Based on online ticket sales and forecast data, theatres are able to plan their schedules more efficiently, improve the movie watching experience and increase ticket sales.[87]

Key takeaways from China's case example

From the above, it is reasonably evident that China has taken significant steps in its ambition to attain global box-office leadership position by extending significant support to the film and entertainment industry. Through policy support in the form of ease of doing business, rationalization of taxation and leveraging the inherent demand for movies, China seems to have set itself up to become the largest box-office player globally by 2020. Some key initiatives that are note-worthy include:

- Film production and exhibition industry is part of the Cultural policy. Regional governments are made responsible for growth in number of movie screens and maintenance of existing screens. The priority areas for growth of screens are rural or under-penetrated areas.
- Rationalization of taxes: The financial support provided to new theatres and rural screens helps most players to manage their finances and plan for future growth through re-development and ultimately contribute to the economy.
- Promotion of regional content: The incentives provided for screening more domestic movies enable players to plan a mix of domestic vs imported movies in order to leverage the best of both worlds.

While the exhibition sector and film industry as a whole have seen significant growth over the last seven years, China needs to take initiatives to keep the tempo going. In order to sustain performance going forward industry needs to look at producing high quality content and open the market to more foreign films for driving higher footfalls and delivering value for money.

[86] http://Chinafilminsider.com/Chinas-online-ticketing-industry/
[87] Deloitte India analysis

Socio-economic impact of promoting growth in screen density in India

"The big screen experience cinemas offer, is perhaps the most powerful instrument of social change. As technology evolves, cinemas are further focusing on enhancing this experience. The emotional, immersive and larger than life theatrical experience has an impact on a community, that virtually is unmatchable by any other medium. Due to low screen density a large number of population is deprived of such an experience. Lack of reliable and relevant data on movie consumption patterns and audience measurement has prevented deserving focus on improving screen density in India for too long. A thrust on increasing access to the unique big screen experience to audiences and the industry embracing the global best practices of a central mechanism to measure movie consumption, box office trends are two factors that could dramatically transform the Indian market and leverage our soft power."

Rajkumar Akella
Managing Director, India, Theatrica, Rentrak Corporation (comScore)

With a 1.3 billion domestic audience and close to 2,000 films produced each year, India has the potential to overtake US and China in terms of the box office collections and emerge as the biggest film industry. In order to replicate China's growth story, India will have to reach a screen count of approximately 33,000 by 2020 – a growth rate of 64% for the multiplex screens.[88]

Initiatives focussed on incentivising new investments in exhibition sector (e.g. tax breaks), refurbishing and downsizing of existing single screens and improving the ease of doing business in exhibition sector (e.g. reforms such as single window clearance), are some of the measures which can fuel the growth of screens in India. Social and economic benefits arising from this growth have the potential to enormously benefit all the stakeholders including the government, film producers, distributors and exhibitors, creative artists, and the general population.

Economic Benefits

Gross Value Added (GVA) by the Indian film industry has the potential to increase by almost 12x if India can replicate the growth story of China over the next five years[89]. GVA is a measure of total economic contribution of the Indian exhibition sector to the Indian economy. At the current rate of growth, net present value (NPV) of the GVA is expected to be approximately USD 500 mn by FY21; on the other hand, if India successfully replicates the China growth story, the NPV of GVA by the India exhibition sector is estimated to exceed 6 bn by 2021. Improvement in box office collections, ancillary revenues and employment opportunities are some of the key drivers of the higher GVA.

Box Office Collections

Box office collections from movies is seen to be directly proportional to the number of screens they get released across. This was amply evident in the Hollywood collections in 2015. Prior to 2015, Hollywood limited its releases to Digital Cinemas Initiative (DCI) compliant screens due to concerns of quality and security. Due to the high costs associated with set-up and maintenance, there are limited DCI compliant screens in India. There were only 1,500 DCI compliant screens in India in 2015. In 2015, when the release of two of the popular movies – Fast & Furious 7 and Jurassic World was extended to non-DCI compliant cinemas, the individual screen counts of these movies increased to more than 2,800 and 2,100 respectively. This substantially benefitted these movies by helping them gross more than INR 1bn each - the highest ever for Hollywood movies in India. This demonstrates the impact of the increase in number of screens on the collections per movie.

Bridging the demand-supply gap in the Indian exhibition industry is expected to boost the box office collections by more than 3x. As the box office collections are a direct function of the number of screens, an increase in the number of screens is expected to enhance the collections. The 40% CAGR growth of screens to reach a screen density of 23 by FY2021 can improve the total number of footfalls by 26% CAGR by FY2021. This takes into account a slight drop in occupancy level per screen as the number of screens increase. Assuming a modest growth of ATP at inflation rates, this can lead to a more than 3x growth of the box office collections, a 53% CAGR growth vs the 4% CAGR growth at the current pace.[90]

Increase in number of screens is expected to have a multi-fold impact on the Indian entertainment industry and economy. Apart from revenue contribution to the national GDP, the addition of cinema screens is also likely to enable creation of jobs. An operator of a 3 to 4 screen multiplex, typically requires approximately 60-80 employees to keep

[88] Deloitte India analysis
[89] Deloitte India analysis
[90] Deloitte India analysis

it operations, across functions,leading to direct generation of employment like any business, a multiplex is likely to create a ripple effect across the economy creating jobs through suppliers and partnerships and finally create an induced effect as the third layer where the new wealth created is injected back into the economy through purchases and tax payments.

Access to a wider and more diverse mix of viewers is likely to lead to improved returns to producers and distributors. This is expected to improve the attractiveness of film production industry as a business, which in turn is expected to improve availability of content to all other broadcasting industry segments – such as television, music, Video on Demand platforms– due to the increased investments.

Table: Economic Benefits of Growth in Screen Density[91]

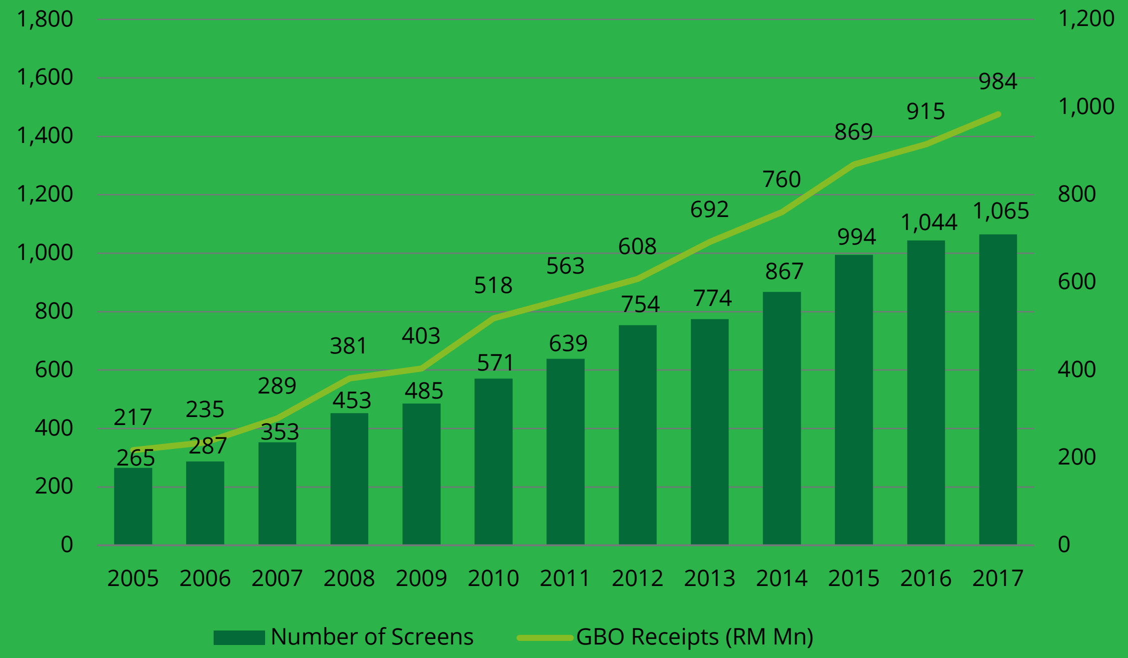
Detail	Units	Exhibition industry growth at current pace	Exhibition industry grows at China's pace
Screen density at FY21	Screens per million population	6	24
Total number of screens	Count	~8,800	~32,800
Growth rate of screens	%	1.02	40.25
% of multiplexes	%	37	88
Box office collections for the year FY21	USD bn	~2.0	~10.2
Indirect tax collected on film ticket sales from FY17 to FY21 (NPV)	USD bn	~1.7	~2.2*
Indirect tax collections from ancillary industries – F&B and advertising from FY18 to FY21 (NPV)	USD bn	~0.5	~1.2
Spending on construction industry for the new screens built till FY21 (NPV)	USD bn	~0.1	~3.8
Number of new jobs created	Count	~6,000	~4,80,000
GVA (FY18 to FY21)	USD bn	~0.5	~6

Source: Deloitte India analysis, *Assuming nil taxes are levied from FY18 to FY20 to incentivize growth. The assumption is made to understand the impact of taxes. This only reflects the taxes that would be collected in FY21

[91] Deloitte India analysis

Malaysia a case example

Growth of Malaysian Film Exhibition Industry



Source: http://www.finas.gov.my/en

Until 1980s, Malaysian film industry received neither assistance nor incentives from the government. The physically small country with only about 32 million inhabitants[92] and a multicultural society presented an enormous challenge for the government to promote the industry as part of a creative industry with economic potential. Nonetheless the government established National Film Development Corporation of Malaysia in 1981 to promote, nurture and facilitate development of the Malaysian film industry. Amongst the many incentives, one of the key incentives has been Entertainment Duty Incentive Scheme which allows production companies to claim the rebate of entertainment duties collected on sale of admission tickets. From 1989 to 2008 an estimated RM43.5 mn (USD 11mn) was channelled back to the industry.[93] Additionally, the government allows import duty tax exemption for cinema equipment for setting up new screens.

The government's commitment to encourage the sector through positive reforms has allowed the country to increase its screen density from 10 screens per million in 2005 to a massive 33 screens per million in 2017.[94] The associated benefits have been translated into 4.5 times increase in annual box-office collections.[94]

Ancillary Revenues
Increase in the number of screens is also expected to fuel the growth of other industries allied to the exhibition industry – such as advertising and food retail. An in-cinema advertising revenue of ~USD 50k per screen per year, growing at inflationary rates per year, is expected to boost the advertising industry with a contribution of almost USD 1.5 bn in FY21 vs a mere USD 0.2 bn if the screens were to grow at the current pace.

Similarly, a modest assumption of spending per head (SPH) on F&B as 25% of ATP (SPH for PVR has increased from 28% to 41% of its ATP from FY12 to FY17) for each of the added screens, is expected to boost the F&B industry revenues (linked to the exhibition sector) by more than INR 200 bn in FY21. The improved ancillary revenues are expected to enhance the profitability of the industry and attract more players.

On an average, when a family of four visits a movie hall, the total spend including spend on ancillary industries is approximately INR 2000; please refer to the table below for distribution of costs across various spend areas for a family of four. Movie viewing in cinema exhibition halls not only creates a direct inflow to the GDP, it also supports the ancillary shops and establishments around the movie hall and creates an indirect contribution to the GDP.

[92] World Bank Databank, 2017 estimates
[93] Film Censorship in the Asia-Pacific Region: Malaysia, Hong Kong and Australia Compared, 2013 edition
[94] http://www.finas.gov.my/en, Deloitte India Analysis

Spend category	Approximate Spend (INR)
Transport charges	200
Ticket cost (ATP of 187)	748
Food & Beverage (SPH of INR 81)	324
Shopping in nearby outlets (Clothing, Household items etc.)	1,000

Source: Deloitte Estimates

In addition, growth of screens is expected to boost the construction industry. Assuming a construction cost of USD 600 (INR 40,000) per seat for a new screen development, the 24,000 extra screens are expected to enhance the revenues of the construction sector by approximately USD 3bn to USD 4bn. Besides, the power, maintenance and technology requirements are also expected to accelerate the growth of the allied industries.

Tax Collection

Tax concession for the first four years and taxation at the current rates (18% for ATP less than INR 100 and 28% for ATP of more than INR 100) at the end of 5 years is expected to provide tax collections (from sale of film tickets) of more than USD 2.8 bn in FY21, which is more than the cumulative tax earned across the five years assuming taxation at the current tax scenario. Thus, the government stands to gain at the end of the race by providing tax concessions at the start. In addition, the government also stands to gain from the collections from taxes on F&B and advertising which are expected to amount to cumulative earnings of more than USD 1.2 bn (NPV) by FY21, almost USD 0.7 bn more than the collections that India would have if it followed the traditional mode of growth.

Social benefits

Employment growth

In FY17, when there were an estimated 8,471 screens in India, the exhibition sector employed 170,000 resources directly[95] - which means approximately 20 people were employed per screen. Thus, addition of close to 24,000 more screens to achieve the target screen density is expected to create at least 4.8 lakh more jobs, creating opportunities for the local population and boosting development.

Local development

Development of new theaters is expected to improve the footfalls in the respective localities. This is likely to improve the commerce in the area from additional demand for transport, entertainment and retail. This is supported by the fact that most of the retail malls house a multiplex as an anchor tenant to attract footfalls. Typically, the premises of theatres witness a rise in entrepreneur activity due to setting up of food courts, retail outlets, ATMs, shopping complexes, supermarkets. Thus, setting up theatres is expected to generate significant employment indirectly. Also, the locality is expected to witness a spurt in rentals.

Cultural and social benefits

Cinema viewing has been one of the most popular outdoor activities in our country. Cinema is a unique leisure activity due to the aspects of art and collective viewing. Making it accessible and affordable is expected to enhance creativity and social interaction. Cinema provides a platform to the local talent and acts as a window for the world to experience Indian culture. The film industry has potential to uplift revenue of other allied industries such as tourism, hospitality and retail industry. Improvement of returns to producers through increased box office collection is expected to improve the investment in film production and thereby support the growth of allied industries.

[95] Economic contribution of film and television industry in India, 2018

Recommendations

“Opening screens in screen-dark areas will give a boost to theatrical revenues. Incentives such as the 5 year tax holiday given to multiplexes in the 2000’s which led to a spurt in new screens, could be brought back to encourage new investment."

Siddharth Roy Kapur,
President, Producers Guild of India and Founder and MD, Roy Kapur Films

Significance of the Indian exhibition sector’s contribution to the film industry and the economy as a whole is undisputed. However, the growth of this industry is muted largely due to challenges with regards to regulations and profitable operations. Growth can be promoted in this industry by focusing on suitably addressing the challenges faced by the exhibition sector. There is urgent requirement for a forum to enable collaboration between government and industry bodies where such issues can be discussed, deliberated and implemented within reasonable timelines. Listed below are some of the key areas requiring attention:

Improve the ease of doing business through regulatory reforms

The regulations and corresponding requirements for obtaining a cinema license were enacted back in 1952 and have not been suitably amended considering the changes in the operating environment; the irrelevance of certain provisions under these cinema regulations in today’s day and age warrants a consideration for revising these laws. We are given to understand that at any point, around 15 to 20 screens are pending licensing approval for over 6 months[96]. Additionally, some of the leading multiplex chains (at most points in time) have around 50-75 screens fitted out and staff hired, waiting for some approval to be granted.[97] Given the significance of the film industry to the economy, improving the ease of doing business, from a regulation and licensing point of view, is critical for the sustainability and growth of the industry. For detailed listing of the challenges faced by the industry (as gathered through discussions with various relevant stakeholders) refer to Annexure-I.

Following are some of the key recommendations for improving the ease of doing business and bringing in the necessary regulatory reforms:

a. **Consider revisiting the existing regulations in the light of current economic conditions**

b. **Creation of an online single window clearance platform**
   - **Centralized hosting of the platform:** To accurately monitor the licensing process across states, the central government can consider design and implement of a single window clearance system that is hosted on a centrally managed internet based server
   - **Single point of information dissemination:** To allow an applicant for a cinema operating license to view the complete list of requirements (by state) and subsequently submit and track applications
   - **Automated monitoring of the application:** This system could have stage-wise timelines programmed to enable tracking of status of the application and identification of any bottlenecks.
   - **Assigning accountability** for any delays that are not justified

c. **To address the two-tone issue of standardization of requirements and improving the functioning of licensing processes**
   - To the extent possible, **rationalize the licensing requirements across states** to have a common approach including the validity of licenses issued may be evaluated and suitably facilitated
   - **Remove duplication of licensing** by creating provisions for scenarios where existing NOC’s for a shopping center (including for the space set aside specifically for cinema theatres / multiplexes) can be re-used by a cinema theatre owner for the purpose of application for business license, except for conditions that may warrant for special reviews to be performed

[96] Industry discussions
[97] Industry discussions

- **Create centralized accountability:** Identify and notify a central department that would be accountable for oversight and effectiveness of the licensing process
- Highlight the steps to indicate licensing related activities that are required to be followed sequentially and which can be initiated in parallel to other steps

Having a clearly defined process and policy will assist in providing transparency and clarity to both the applicants as well as the licensing authority.

Enhancing fiscal incentives to maintain sustainability

In the pre-GST era, before 1 July 2017, exhibition sector was levied with multiple indirect taxes that included service tax and entertainment tax; rates and exemptions for these taxes differed from state to state and on type of the movie, for example, certain states provided exemption from entertainment tax for regional movies. While GST regime has combined the different taxes, the state governments have been given the authority to impose an additional local body tax bringing in an element of uncertainty for the exhibitors.

It is important for the government to consider streamlining the taxation policies in the exhibition sector to assure investors and promote investments in the sector. Additionally, in a post-GST environment, it would be important for state governments to adopt a common approach towards providing subsidies to the exhibition sector. Few states, such as Maharashtra have already offered a period of tax holidays for new exhibitors. The government of Uttar Pradesh has taken an initiative to revive approximately 709 single screen theatres that have closed and the many theatres that stand as abandoned buildings by offering a 50% subsidy on indirect taxes[98] to the single-screen owner for a period of three years from the date cinema hall reopens. Such exemptions, if replicated by other states, can benefit the state and central government in terms of increased employment, improved tax collections and enhanced contribution to the GDP. Additionally, consideration could be given to offer a small scale industry status to exhibition sector; small scale industry status will allow exhibitors to obtain electricity at industrial rates and ease the process of obtaining loans and financing required for further development of the industry.

Case Study: Single window clearance process for setting up mini theatres in Andhra Pradesh

Steps for single window clearance process:

01. Submission of application through a designated web portal by an applicant
02. Subsequently, concerned line departments generate their clearances online leading to issue of license by the Joint Collector for construction of mini theatres
03. Similar process is followed by the authorities for further licensing required for commencement of films exhibition
04. Renewal of all license/permissions can be made co-terminus for a period of one year.

Highlights of the pre-requisites/rules concerning clearances:

01. Minimal infrastructure specifications:
    - Maximum seating capacity of 199 seats over a floor space of at least 4,000 square feet
    - Parking area shall be considered 20% of built up area. Since the height of the complex does not exceed 15 metres, the set background around the complex shall be minimum 3 metres
    - Convenient and comfortable seating arrangement along any direction with sufficient spacing between rows to be provided without mandating battened seating arrangements in any singular direction
02. Minimal location restrictions:
    - Mini theatres can be established in smaller spaces without requiring large constructions. They can also be established in commercial centers like shopping malls, convention centers, bus stations, multi utility areas.
    - Can be established in rural areas like Mandal headquarters, small towns depending upon feasibility to boost entrepreneurial activity.
    - Permission shall be relaxed if other exhibitor points exist with 2km radius as they boost entrepreneurial activity.
03. Safety specifications:
    - Mandated to be equipped with permanent and inbuilt fire safety and prevention provisions such as water tank, water sprinklers, fire alarm, etc. within the premises
    - Residential areas like gated residential communities shall be exempted considering safety aspects
04. Flexibility of transformation:
    - Permission shall be granted for converting single screen theatres into mini digital theatres

Source: Industry discussions

[98] http://economictimes.indiatimes.com/news/politics-and-nation/in-lead-role-yogi-adityanath-moves-to-revive-cinema-halls-in-uttar-pradesh/articleshow/58306691.cms

Development focus for underpenetrated areas

States (such as UP and Rajasthan) which have high population but a very low screen density could aim to improve penetration and accessibility of screens to a larger population base. Additionally, satellite cities (e.g. Navi Mumbai, NCR, etc.) around metros and other tier I cities also offer significant scope for improving screen density.

Recently established theater in Kopar Khairane in Navi Mumbai is an example of consumption capacity and growth potential offered by such areas; this theater has managed to achieve an occupancy of 55% by tapping into a locality previously lacking affordable and easily accessible quality entertainment options.[99] Each state government could decide on their respective screen development targets and include them as a part of their infrastructure development mandate.

Improving the operating model of single screens

A major reason for single screen halls to be constructed with large capacity was the cost of the physical celluloid print required to exhibit movies. In order to recover this high cost, theaters were setup with high capacities. However, with digital print reducing cost of print to one-tenth of the celluloid, exhibitors can consider down-sizing to a smaller theater format which have lower operating and maintenance expenses per sq feet of area.[100]

Easing policies for single screens to downsize and convert into a multiplex with two screens or more, without any compromise on safety, security, environment and related matters, could enable its owners to optimize the economics of operating the property. Additionally, multiplexes would offer benefits to exhibitors in multiple ways such as:

- Programming flexibility
- Ability to attract higher ticket prices
- Lower distributor share

With the addition of these factors, a multiplex with even two screens could receive nearly double the revenue per screen, than the earlier single screen. Table below illustrates this concept.

Detail	Units	Single screen	Multiplex with ability to attract industry ATP	Multiplex - With ATP at below industry level
Average number of seats	Number	500	250	250
ATP	INR	60	183	100
Occupancy rate	%	20%	27%	27%
Average number of shows	Number	5	5	5
Revenue per day per screen	'000 INR	29	62	34
Tax rate (GST)	%	18%	28%	18%
NBOC per month	INR mn	0.7	1.3	0.8
Distributor share (On NBOC)	%	60%	44%	44%
Revenue after distribution per month	INR mn	0.3	0.7	0.5

Source: Deloitte India analysis

Adoption of lean and innovative business models

High capex investment and dependency on real estate and mall development is one of the key impediments to the growth of theatres. Also, high capex investment and operation costs necessitate high ticket prices which negatively impact the occupancies in theatres and render them unprofitable. The industry needs to look at lean and innovative business models to overcome this challenge.

Gujarat, Maharashtra, Goa and Punjab have recently seen a growth of miniplexes, offering good facilities like comfortable seats, food counters and air-conditioning at a nominal ticket price of INR 80-100.[101] Many of the existing players have started focussing on low capex deployment models to make the screen economics viable for long term sustainability especially in tier 2 and tier 3 cities. Some such models adopted by the industry include:

[99] Industry discussion
[100] http://www.financialexpress.com/archive/digital-theatres-yet-to-evolve/159339/
[101] http://economictimes.indiatimes.com/news/politics-and-nation/in-lead-role-yogi-adityanath-moves-to-revive-cinema-halls-in-uttar-pradesh/articleshow/58306691.cms

- **Public Private Partnership models**
  Exhibitors are exploring opportunities of partnering with state governments and getting into joint ventures with investors and real estate developers to build entertainment arenas consisting of theatres, retail outlets and food courts.

  For example, Carnival cinemas has been improving its reach in tier 2 and tier 3 towns through partnership with state governments:
  - Partnership with Jharkhand government to set up 75 theatres cum recreation zones in 18 districts. The state government would be facilitating them with acquisition of land - an acre to 1.5 acres per project.[102]
  - MOU with the Odisha government to build entertainment zones across 30 districts. Under this MOU, the company will get 1-1.5 acres of land in each of the districts to build two-three screen multiplexes, food courts and some retail outlets.[103]
  - Carnival plans to have two to three partners per state to develop these entertainment zones. They would be keeping the ticket prices low to attract more footfalls. Footfalls of 2,000 are expected per zone per day.[104]
  - Carnival has also partnered with UP government to revive the 700+ single screens which have shut down.

Similar industry-government partnerships are required to give the necessary thrust to the pace of screen growth in the country.

- **Advertising based revenue models for media dark regions**
  Media dark regions are symbolised by low per-capita income and hence are an unattractive business proposition for most exhibitors due to their low propensity to pay for recreational content. However, the growth of per-capita income and improvement in lifestyle has a strong linkage to the penetration of media in a region. Hence, the industry and government can consider creating an advertisement driven sustainable business model to incentivise players to provide services in such areas. UFO Moviez has started an initiative to provide an open movie viewing experience to India's rural population situated in media dark areas. UFO employs vans which display advertisements during the day and play movies by the evening; these movies are screened in market place area and visitors are not charged for the movie. Given the limited capacity of the inhabitants from such areas to pay for entertainment, UFO relies on advertising from companies targeting rural areas for revenues. Each van visits seven villages a week in a closed circuit. Caravan Talkies remains operational for eight to nine months a year except during monsoons. UFO plans to cover 300 routes across India (excluding South India) in this manner.[105]

- **Franchise model for rapid infrastructure development**
  Challenges in setting-up and operationalizing a theatre due to complexity of rules and regulations and long gestation period deters entry of new players in the market. Few corporates in the exhibition industry have launched an asset light franchisee model to help budding entrepreneurs set up new screens or revive old screens on franchising basis. Entrepreneurs make the investment and take care of the day-to-day operations whereas the corporates bring in their expertise required for setting up the theatre and sourcing content at competitive costs. Some such corporates include – KSS limited, UFO Movies, Y screens.

- **Compact and affordable theatres – Miniplexes**
  Miniplexes are small movie theatres with less seating capacity (limited to 125 seats and in some states 75 seats) per screen that would qualify for video license category. Despite the small size, the facilities are comparable to multiplex. Before the GST implementation, these properties enjoyed entertainment benefit in some states.

  Miniplexes remove the dependency of theatres on a mall infrastructure. Due to the reduced infrastructure requirements, these theatres could be set up at locations such as bus stations, market yards, government offices, residential complexes or any commercial space/building. CAPEX requirement for such theatres is also lower – INR 7 to 7.5 mn. Additionally, during the low occupancy periods such as morning shows, the property can be used for seminar/ conference services. Also, it could be a venue for private movie screening, product launches, performances by local talent, birthday parties, other ceremonies etc.

  State transport bus stands and railway stations make an attractive location to set up miniplexes. They are located in the heart of the city/town and always have a floating population. In a view to generate additional revenues, Telangana State Road Transport Commission has planned to build mini-theatres at bus stands.[106] They have already identified 60 such bus stands which would make viable locations for theatres. Similarly, Andhra Pradesh government has also approved plans for setting up as many as 100 mini-theatres at 52 bus stations across

[102] http://www.indiaretailing.com/2016/08/22/retail/carnival-group-signs-mou-govt-jharkhand-open-75-theatres-cum-recreation-zones/
[103] http://economictimes.indiatimes.com/industry/media/entertainment/after-jharkhand-carnival-cinemas-joins-hands-with-odisha-govt-for-expansion/articleshow/56209701.cms
[104] http://economictimes.indiatimes.com/industry/media/entertainment/after-jharkhand-carnival-cinemas-joins-hands-with-odisha-govt-for-expansion/articleshow/56209701.cms
[105] http://www.ufomoviez.com/OurProfile.aspx, Industry discussions
[106] http://www.siasat.com/news/mini-cinema-theaters-bus-stations-generate-income-971186/

Andhra Pradesh.[107] Some of these initiatives in Andhra Pradesh and Telangana are supported financially by the producer and distributor fraternity.

Flexible ticket pricing model

Ticket sales are a perishable commodity for the exhibition industry. Once a show is run, all the unsold tickets are lost revenues for the exhibitor. Since the government regulations require exhibitors to submit the pricing of the tickets in advance, the industry is unable to introduce dynamic ticket pricing, similar to the airline industry. It is recommended that the industry be encouraged to adopt digital ticketing systems to enable transparency in the ticket sales (from tax collections perspective) and also dynamic pricing of tickets based on demand and supply situation. This will enable both increasing the occupancy levels leading to improved revenues for the players and increased tax collections for the government.

Scale up anti-piracy initiatives

Piracy is a major factor affecting the viability of the exhibition industry. While there are state-wise anti-piracy cells which investigate piracy instances, additional measures could be taken up to discourage pirates from distributing content online, a significant channel for distribution of pirated films. Steps can range from IP tracking and blocking to warnings to uploaders and downloaders.

Case study: United Kingdom's Police Intellectual Property Crime Unit (PIPCU)
The UK government has been successful in curbing digital piracy to a great extent with the institution of a specialized IP crime unit

About PIPCU:

- The City of London Police formed the Police Intellectual Property Crime Unit (PIPCU) in 2013 to investigate, disrupt, and prevent cyber-enabled intellectual property crime, which causes significant harm to the UK economy and consumers, both in terms of physical counterfeit goods and digital piracy.
- Funded by the UK Intellectual Property Office (UKIPO), PIPCU has a team of 19 staff consisting of detectives, analysts and researchers and is based within the Economic Crime Directorate of the City of London Police, the National Lead Force for Fraud.

Key Initiatives:

- Early Intervention / restorative justice – utilising intelligence derived from various sources, provide opportunities for online perpetrators to stop committing crime or rectify the situation
- Disruption of online facilitators and enablers (intermediaries) – work with third party providers such as advertisers, payment service providers, social networking sites, online markets and internet service providers to prevent unlawful trading, restrict access to revenue and undertake domain seizure
- Influencing online behaviour by site owners, service providers and consumers through education, prevention and enforcement activity
- Disruption of non-technical enablers including supply chains and manufacturing outlets
- Investigation and prosecution – investigate and gather evidence against organised crime groups for arrest and prosecution.
- Seizure of criminal assets – utilise all aspects of the Proceeds of Crime Act to either compensate victims or seize criminal assets derived from intellectual property crime.

Impact:

- In 2016, 17 suspects were arrested for trade mark, copyright, and fraud offenses.
- Suspended 17,000+ sites selling counterfeit goods
- Restricted the advertising revenue of more than 1,200 of the worst infringing sites offering digital content (music, film, TV, ebooks, and software) in order to cut off their revenue stream.
- 64% decrease in advertisements volume on IWL (infringing websites watch list) websites in 12 months

Sources: PIPCU website, PIPCU Denmark 2017 presentation

[107] http://www.andhraheadlines.com/news/state/151812/what-an-idea-cm-naidu

Adoption of boxoffice measurement systems

India is one of the few countries where no single universally accepted boxoffice measurement system exists. A single boxoffice measurement system is required for the industry to ensure transparency and accuracy in the reporting of the box office collections. Such a system can help the film producers and distributors in better film release planning and also understanding the audience preferences. For the advertisers, such tools provide a good reference tool when evaluating the ad spend effectiveness and associated return on investment. Rentrak (now ComScore) is one such player with international presence covering ~95 percent of the global box office collections. The company has been able to not only collate data across 125,000 screens in more than 25,000 theatres across the globe but also add insights to the distribution and marketing strategy of any film on theatrical side. In India, Rentrak has been doing work in-terms of bringing exhibitors together. However, it still has a long way to go to gain 100% industry participation. Only once all the stakeholders have been on boarded can the benefits of common measurement system be reaped. The government can work with such independent measurement agencies to drive a faster adoption.

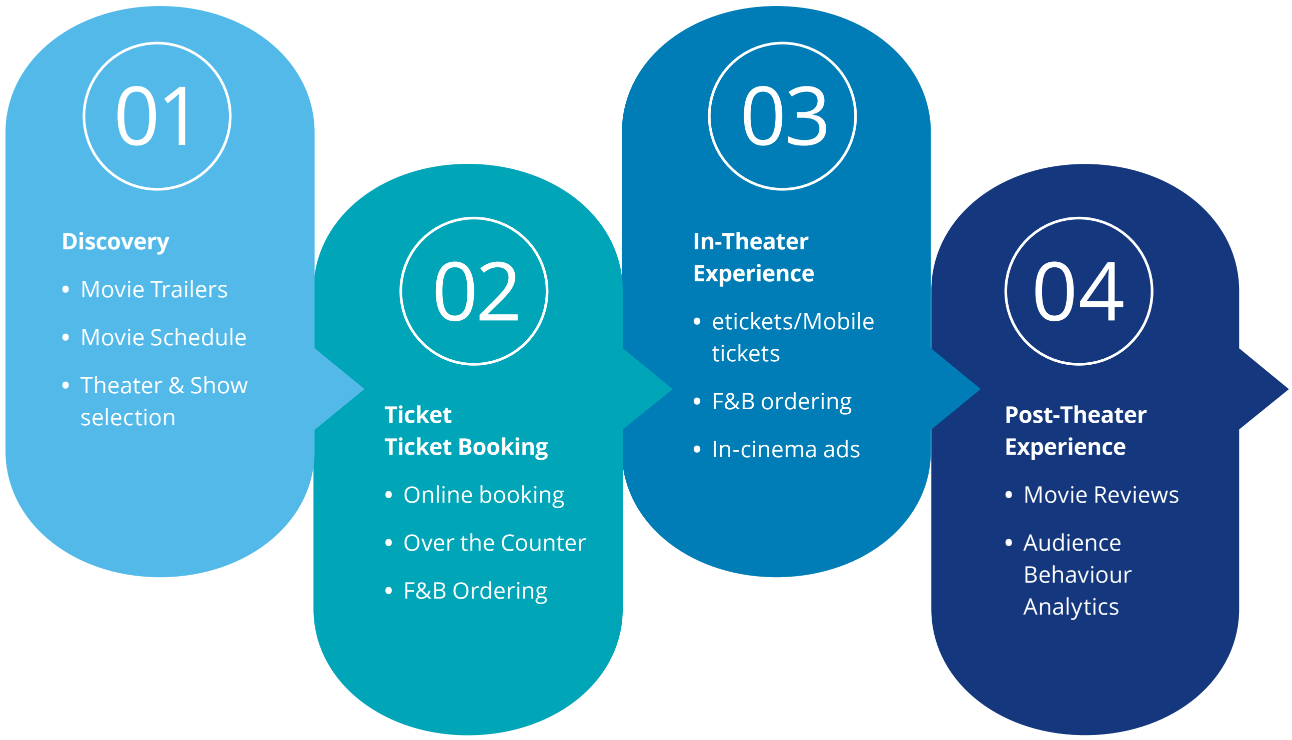
Investments in technology across the value chain

Over the past few years, technology has radically altered the entire film industry and more importantly the exhibition industry. Technology is continuously reshaping the film viewing experience (sound and video) thereby mandating the exhibition industry to make continuous investments to deliver a superior experience to the audiences. The role of technology extends right from discovery, ticket booking, in-theatre experience and post-theatre experience. While the industry is making investments in technology, it is not extendable to all the players due to economic considerations and hence the government could consider providing incentives for investments in technology upgradation and ensuring rapid adoption of digital platforms.

Conclusion

Growth in the number of good quality cinema screens is the need of the hour for the Indian film industry – to improve its reach to audiences and realize true potential. In order to accelerate the growth of screens, the industry needs to look at innovative models to build infrastructure and government needs to consider revisiting the regulations and their implementation to facilitate the ease of doing business.

All the stakeholders including the government, film industry and local population stand to gain manifold by the growth of the exhibition industry. The government can expect increased tax revenue, growth in tourism, development of local communities around the theatres, and increased GST from artists. The film industry would profit from the high returns from the domestic market and potential foreign investments given the lucrative nature of the sector. The local population on the other hand would benefit from a good source of leisure and entertainment, employment opportunities, commercial development due to growth of allied industries and improvement in real estate value.



Annexures

Annexure I:
Recommendation: **Improve the ease of doing business through regulatory reforms**

Listed below are some specific sections from the regulation and the process for obtaining license offering opportunities for improvement:

Area	Challenges	Opportunities for improvement	Rationale
Licensing Process	Manual and time consuming process for physical submission of application	An online system can be set up to accept, track, review and approve/ reject applications. This would enable application through a single window system. A joint commission of the five key authorities – Fire, Electrical, PWD, Police and Health to be convened on need basis to make decisions regarding approvals, rather than each department having to be reached independently.	Enables transparency in process through online tracking of application status and time taken by each department
	5 departments and multiple touch points to obtain required approvals		Automated workflow would trigger respective departments to initiate required activities and provide approval. This improves ease of application
	No defined timeline within which an approval/ rejection notice should be provided to the applicant	A timeline can be defined within which, an applicant should receive an approval/ rejection notice from the approving authority	Enables cinema owners to plan their construction, hiring and procurement activities and saving on maintenance and operation costs incurred due to delay in receipt of license
Approving authority	The powers for granting cinema license lies with the Police Commissioners of the city.	A dedicated licensing board can be formed for matters related to set-up, operations and closing of theatres. This can comprise of a mix of civil officials and individuals with relevant experience in the industry	• The files related to cinema NOCs receive low priority over matters related to law and order and hence the police commissioner would not be ideal • The regulatory board, comprising of individuals with industry and civil experience, would be aware of the main parameters considered for grant of cinema license. This is expected to reduce the time taken for approvals.

Area	Challenges	Opportunities for improvement	Rationale
Regulatory requirements	Obtaining clearance from the Building and Construction (B&C) department	Revalidate the requirement to have this clearance	The awareness of various buildings existing or proposed around the proposed site for a cinema lies with the Municipal Corporations and Councils being the competent authorities for implementation of the development plans. Therefore, the requirement for an additional clearance can be re-validated.
	Invitation for objections from people living within a distance from the proposed location	Review if this can be simplified or relaxed	The present cinema theatres being sound proof are less likely to create nuisance for surrounding areas
	Certificate of telephone facility	Review if this can be simplified or relaxed	In today's connected world, telephone certificate appears redundant
	Cinemas are required to obtain a parking clearance from the traffic police	Review if this can be simplified or relaxed	A Building under development is obliged to provide parking facilities, the scrutiny of which, comes under the purview of Municipal Commissioner/ CEO of Municipal council whose approval is already sought separately
	A theatre cannot be situated within 63 meters from temples, schools and hospitals.	Review if this can be simplified or relaxed	Cinema theatres, being sound proof are less likely to create nuisance for the neighbours. Moreover, buildings with similar use such as drama halls, mangal karyalays are not restricted by such conditions.
Single screen regulation	In Maharashtra, to redevelop a cinema with a capacity of 1000 seats, it is mandatory for exhibitors to build a smaller cinema of 330 seats at the same place	Review if this can be simplified or relaxed	It is essential to review the single screens through a different lens considering the time they were constructed in and their history
	Renewal of licenses for single screen theatres is difficult as they fail to qualify the infrastructure requirements meant for multiplexes	The laws for renewal of license for single screen theatres should be revised considering the historical origins of the segment	Ease of business for this segment will encourage existing owners to continue investment in this sector

Source: Industry discussions conducted by Deloitte

Duplicate approvals required for cinema theatres in shopping malls
The individual state policies also do not specifically cite the requirements in case a multiplex is to be established within shopping mall. As part of the shopping mall's construction plans, the promoters would need to obtain certain approval such as Fire, Electrical etc. In today's economy, a shopping mall's promoter is already aware which units within the mall would be for a cinema theatre and usually initiates the fit-outs accordingly. However, the cinema theatre owner who occupies the said units is required to obtain these approvals again where it may have been possible to rely on the existing approvals obtained by the shopping mall's promoter.

Significant potential for standardization of cinema theatre licensing rules across states
Apart from revising outdated rules, there is significant potential for policies to be standardized across states through a common national framework for granting licenses. For an industry that is standard in the operating model at any location, having rules that differ amongst states may not be warranted, with the exception for rules that are required due to national security or public safety and are related to peculiar characteristics of the area under consideration. Below is a case in point comparing the cinema licensing rules for obtaining a "No Objection Certificate (NOC)" for a permanent cinema/multiplex between Maharashtra and Karnataka that could be standardized through a common national regulatory framework by adopting best practices from each state.[108,109]

- Plan for construction of a new permanent cinema is required to include details of all buildings within a distance of 61 meters in case of Maharashtra, however, state of Karnataka requires details of all the building within 500 meters to be included in the plan. In case of drive in cinemas, state of Maharashtra specifies a distance of 400 meters whereas Karnataka mentions the same to be 1,000 meters
- Karnataka state grants a maximum of 15 days for any objections to be raised by public on construction of a permanent cinema on proposed locations, however, state of Maharashtra allows a maximum of 30 days to receive objections.
- In case of Karnataka, the notification to public is raised as soon as applicant submits a request for NOC. However, in case of Maharashtra, the concerned authority is granted a period of 30 days (one month) to provide their remarks before issuing a publication to invite objections.
- In case of Karnataka, Licensing Authority is required to forward the No Objection Certificate to all the concerned departments and the respective departments are required to give their opinion or clearances within a period of 30 days (from receipt of No Objection Certificate from Licensing Authority). Moreover, the Licensing Authority is obligated to respond to the application of No Objection Certificate within a period of 45 days from the date of application. In contrast, in Maharashtra, there is no specific mention of the Licensing Authority requiring to coordinate no objections from respective departments. Additionally, in case of Maharashtra, there is only a mention of period of 60 days (post the completion of period for receiving public objections, which is 30 days) for the licensing authority to submit a report to the state government. There is no timeline defined for the state government to provide its sanction and accordingly license authority to provide a NOC from date of application.
- The table below highlights the licensing timelines discussed above, green indicates best practice, while red indicates an opportunity for improvement.

Maharashtra		Karnataka	
Activity	**Timeline**	**Activity**	**Timeline**
Application to concerned "Municipal Authority"	0 days	Application to "Licensing Authority"	0 days
Concerned "Municipal Authority" to provide remarks to "Licensing Authority"	30 days	Application directly submitted to "Licensing Authority"; step not required	0 days
"Licensing Authority", on receiving remarks from "Municipal Authority", to notify public of intention to open a cinema with a purpose of inviting objections	No timeline mentioned	"Licensing Authority", on receiving application for NOC, to notify public of intention to open a cinema with a purpose of inviting objections	No timeline mentioned

[108] http://www.bareactslive.com/MAH/mh645.htm#0
[109] https://www.ksei.gov.in/pdf/Acts%20&%20Rules/HD%2012%20CNA%202010.pdf

Maharashtra		Karnataka	
Activity	**Timeline**	**Activity**	**Timeline**
Time period to receive public objections for construction cinema on the proposed location	30 days	Time period to receive public objections for construction cinema on the proposed location	15 days
"Licensing Authority" to submit a report to state Government with recommendation, on the expiry of the period for the receipt of objections, on whether a "No Objection Certificate" should be granted or not	60 days	In parallel to public objections process, "Licensing Authority" to obtain opinion or clearances from Town Planning Officer in City Corporation /Urban Development Authority/ Planning Authority/Assistant Director, Town and Country Planning of the district as the case may be, District Health and Family Welfare Officer, Executive Engineer, Public Works Department of the district and the Superintendent of Police of the district/ Commissioner of Police of the city/ District Fire Officer of Fire and Emergency Services of the Electrical Inspector of the District or area	30 days
State Government to accord sanction based on the report from "Licensing Authority"	No timeline mentioned	Licensing Authority to grant or refuse NOC directly (within their powers)	No timeline mentioned
Licensing authority to grant or refuse NOC based on the sanction from state Government	No timeline mentioned	Licensing Authority to grant or refuse NOC directly (within their powers)	No timeline mentioned
Maximum allowed time for "Licensing Authority" to grant or refuse NOC from date of application	No timeline mentioned	Maximum allowed time for "Licensing Authority" to grant or refuse NOC from date of application	45 days

- Additionally, Karnataka mentions a rule under which an applicant is not required to obtain a NOC for “converting or altering the existing cinema theatre within the licensed premises by making smaller theatres without increasing the total number of seats for which an application has been made” or for “constructing within the licensed premises one or more additional cinemas adjacent to or on the ground floor or on the first floor of the existing cinema or proposed cinema for which an application has been made”. Maharashtra, does not mention of any such exceptions.

Deep diving into regulations also shows a significant difference in terms of rules required for specific departmental clearances indicating an opportunity for standardization. Below table shows a comparison of certain rules between Karnataka and Maharashtra as a case in point.

- **Parking Space Requirement:** Basic parking space requirements are non-standard across Maharashtra and Karnataka; while both link it to the population of the town, they are not standardized to the population size across the two states. Moreover, Karnataka has more complex specifications with separate rules for permanent cinema theaters and multiplexes, while Maharashtra does not specify separate set of rules.

Maharashtra		**Karnataka**			
Population Based Slabs	**Car Parking Spaces Required (as % of seats)**	**Population Based Slabs**	**Car Parking Spaces Required (as % of seats)**		**Minimum Car Space Requirement (# of cars)**
			Permanent Cinema Theatres	**Multiplexes**	
Greater Bombay	4%	>10,00,000	4%	4%	20
>5,00,000	2%	1,00,000 - 10,00,000	2%	4%	15
1,00,000 - 5,00,000	1%	50,000 - 1,00,000	2%	4%	10
<1,00,000	0.5%	<50,000	2%	4%	5

- **Seating Requirements:** Maharashtra requires that no part of the auditorium shall provide accommodation, exclusive of passages, at a higher scale than 20 persons per 9 square meters i.e. 0.45 sq. m per person. Comparatively, Karnataka requires that the auditorium provides a seating area of 0.6 sq. m per person. The minimum gap specification between successive rows differs (back of one seat and front of the other) between Maharashtra and Karnataka as well. Maharashtra specifies this distance to be 30 cms whereas Karnataka specifies this distance to be at least 50 cms.
- **Rewinding Rooms:** While Karnataka clearly mentions that requirement of rewinding rooms are not mandatory for permanent cinema theaters and multiplexes adopting advanced technology such as digital projectors and digital sound systems, Maharashtra, does not make any such exceptions.

Annexure II:

		Maharashtra	Uttar Pradesh	Karnataka	Madhya Pradesh
Location clearance	Key requirements	• Detailed plan • Ownership documents • NOC for detailed plans and parking layout from: Municipal building and property department, local corporation, Fire department, Public works department, Collector	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	• NOC for detailed plans with extract of town map, site plan, challan showing payment of fees • NOC required from town planning officer, district health and family welfare officer, executive engineer, PWD, superintendent of police (Within 30 days else deemed approved)	• NOC for location
	Approval process	• Invite objections from local citizens • Enquiries by the local police station • Traffic department approval • Government approval	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	• Invite objections from local citizens • Enquiries by the local police station • Traffic department approval • Government approval	• Invite objections from local citizens • Report to government Issue location clearance
Construction clearance	Key requirements	• Location clearance • Approved plans of construction • NOC from the Chief Fire officer	• Approval of the site location, site plans (detailed construction plan as well as neighbourhood architecture) and specification by the licensing authority	• Approval of the site location, site plans (detailed construction plan as well as neighbourhood architecture) and specification by the licensing authority	• Location clearance certificate • Subdivision clearance on building plans"
	Approval process	• Review the application and papers submitted • Provide NOC	• Review the application and papers submitted • Provide NOC	• Approval by licensing authority based on inputs from town planning officer, PWD, and electrical inspector	• Review the application and papers submitted • Provide NOC

Gujarat	Kerala	Rajasthan	Assam	Punjab	Orissa
• NOC for detailed plans with extract of town map, site plan, challan showing payment of fees NOC required from town planning officer, district health and family welfare officer, executive engineer, PWD, Superintendent of police	• NOC for detailed plans with extract of town map, site plan, challan showing payment of fees NOC required from town planning officer, district health officer, fire officer	• Detailed plan • Ownership documents • NOC for detailed plans and parking layout from: Municipal building and property department, local corporation, fire department	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location
• Invite objections from local citizens • Report to government Issue location clearance	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	• Review NOC and provide approval	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location	*Location clearance requirement not explicitly mentioned in the regulations, however there are adjacent rules that specify the requirements for the location
• Location clearance • Approved plans of construction from engineer"	• NOC for detailed plans with extract of town map, site plan, challan showing payment of fees NOC required from town planning officer, district health officer, fire officer	• Building related requirements Approval from license authority	• NOC for detailed plans with extract of town map, site plan NOC required from executive engineer, town committee, gram panchayat, development authority"	• Not explicitly mentioned however, a release indicates construction clearance is required	• License application invited twice a year • NOC from board consisting of Superintendent of police, Executive engineer, Roads and buildings, Public health department, Executive engineer, chairman Improvement trust. Licensing authority will be the chairman of the board • Challan showing payment • Board to submit decision within 4 months on which applicant to grant license to
• Review the application and papers submitted • Provide NOC	• Notice to chief electoral officer and executive engineer 15 days prior to construction (After obtaining various NOC) • On completion, inspection and certification for structural soundness, electrical, health and divisional officer - fire	• Review the application and papers submitted • Provide NOC	• Review the application and papers submitted • Provide NOC	Not explicitly mentioned but indicates construction clearance required	• Review the application and papers submitted • Provide NOC

		Maharashtra	Uttar Pradesh	Karnataka	Madhya Pradesh
Business Licence	Key requirements	• Occupation certificate • NOC from: Electrical Inspector, Health Officer, Fire department, Traffic police, Public works department, telephone exchange/ internet service provider	An application to the Licensing Authority containing: • Ownership details of the premises and documents such as - approval of site plans; • Plan of the building and premises • Plan of seating arrangements for each class, separately • NOC from the Electrical Inspector, Medical Officer of Health, Regional Fire Officer	• Occupation certificate • NOC from: Electrical Inspector, Health Officer, Fire department, Traffic police, Public works department	• NOC from: Electrical Inspector, Health Officer, Fire department, architect and sub-division engineer, telephone company and electricity supply company
	Approval process	• Submit proposal to the government for sanction • Issue license after the receipt of permission	• Not mentioned	• Obtain NOCs as required and submit application accompanied by certificates from authorities • Issue of license after the receipt of permission"	• Submit proposal to the government for sanction • Issue license after the receipt of permission
Seating		• Interval between two consecutive seats is required to be 30 inches. • The distance between the screens and the front row of seats shall not be less than the width of the screen itself. • The seats in the auditorium shall be arranged in the manner of an arc.	• The distance between the front row of the seats and the screen shall not be less than 19 feet. • The rows of seats shall be so arranged as to leave a clear space of not less than 15 inches between consecutive seats.	• The rows of the seats shall be arranged in the form of concentric areas of circles. • The seats shall not be too near the screen. For this purpose a line drawn in the longitudinal section of the auditorium from the eye of an observer in the front row to the top edge of the screen shall not form an angle of more than 35 degrees with the horizontal. A line drawn in the plan from the eye of the observer in the extreme end of the front row to the remote end of the screen shall not form an angle of less than 25 degree with the screen. • In any cinema theatre or multiplex, not more than fifteen seats of one row shall have access from a side aisle and not more than five from a middle aisle. • Interval between two consecutive seats must be at-least 0.5 meters.	• Interval between two consecutive seats must be at-least one foot. • The distance between the screen and the front row of seats shall not be less than the width of the screen itself • The seats in the auditorium shall be arranged in the manner of an arc.

Gujarat	Kerala	Rajasthan	Assam	Punjab	Orissa
• Occupation certificate • NOC from: Electrical Inspector, Health officer, Fire department, Traffic police, Public works department, telephone exchange/ internet service provider	• Licenses obtained as part of construction clearance	• Inspection by Electric inspector, executive engineer, Medical officer, regional fire officer	• Ownership documents • Certificate from executive engineer, electricity department, District officer, films exhibition certificate, receipt for payment of fees and tax clearance from super intendent of the area"	• NOC for detailed plans with extract of town map, site plan, challan showing payment of fees • NOC required from executive engineer, electric inspector"	• NOC from inspecting authorities (not elaborated) • Approval from roads and buildings engineer"
• Submit proposal to the government for sanction • Issue license after the receipt of permission	• Obtain NOCs as required and submit application accompanied by certificates from authorities • Issue of license after the receipt of permission"	• Submit proposal to the licensing authority • Issue license after the receipt of permission	• Submit proposal to the licensing authority • Issue license after the receipt of permission (3 years)	• Submit proposal to the licensing authority • Issue license after the receipt of permission (3 years)	• Submit proposal to the licensing authority • Issue license after the receipt of permission
• 2 metres space between screen and first row • Interval between two consecutive seats must be at-least 35 cms.	• There shall be a minimum distance of 4 metres from the screen to first row of seats • Interval between two consecutive seats must be at-least 35 cms. • The width of seats should be between 45 and 56 cm	• There shall be a minimum distance of 25 feet from the screen to the first row of seating	• The distance between the screen and the front row of seats shall not be less than the width of the screen itself • There shall be a minimum distance of 1 foot from the screen to the first row of seating	• Interval between two consecutive seats must be at-least 12 inches[110] • The minimum distance between the cinematograph screen and the front row of seats shall be; • (i) equal to the width of the screen subject to a minimum of 25 feet in case of cinemas equipped with screens up to 30 feet wide; and • (ii) equal to ¾ th of the width of the screens subject to a minimum of 30 feet in case of cinemas fitted with screens exceeding 30 feet in width.	• There shall be an interval of at-least one foot between two consecutive seats

[110] http://www.bareactslive.com/HRY/HL085.HTM

	Maharashtra	Uttar Pradesh	Karnataka	Madhya Pradesh
Screen	The minimum width of the cinema screen shall be 3.05 m.	• Not mentioned	• Not mentioned	The minimum width of the cinema screen shall be 10 feet
Lightning conductors	Lightning conductors shall be provided in each cinema building	The building shall be provided with an efficient lightning conductor	Lightning conductors shall be provided in every cinema or multiplex building conforming to relevant I.S. Standards	Lighting conductors shall be provided in each cinema building
Car parking	The percentage of car parking space in a cinema shall be according to the population of the town or city where the cinema is situated as given below :- (a) in Greater Bombay 4 per cent, of the total number of seats; (b) in cities having population of and above 5 lakhs, 2 percent, of the total number of seats; (c) in cities having population between 1 to 5 lakhs, 1 percent, of the total number of seats; and (d) in towns and places, having population below 1 lakh, 0.5 percent, of the total number of seats The car parking space for each motor vehicle shall be 5.5 meters x 2.5 meters"	• Not mentioned	• One car parking space for every twenty five seats for cinema theatres and one car parking space for every twenty five seats for multiplexes subject to a minimum of space for twenty cars in places having a population of ten lakhs and above; • At one car parking space for every fifty seats for cinema theatres and one car parking space for every twenty five seats for multiplexes subject to a minimum of space for fifteen cars in places having a population one and ten lakhs; and • At one car parking space for every fifty seats for cinema theatres and one car parking space for every twenty five seats for multiplexes subject to a minimum of space for ten cars in places having a population between fifty thousand and one lakh; • At one car parking space for every fifty seats for cinema theatres and one car parking space for every twenty five seats for multiplexes subject to a minimum of space for five cars in places having a population of less than fifty thousand.	• Not mentioned

Gujarat	Kerala	Rajasthan	Assam	Punjab	Orissa
No minimum screen size specified	• Not mentioned	• Not mentioned	• Not mentioned	The size of the screen used for video exhibition shall not be less than 52 centimetres	• Not mentioned
• Not mentioned	• Not mentioned	• Not mentioned	• Not mentioned	The building shall be provided with an efficient lightning conductor	The building shall be provided with an efficient lightning conductor
• Not mentioned	The building shall be provided with open spaces on all sides as provided in rule 34 of the Kerala Building Rules, 1984 and parking space for one car for every 33 seats of accommodation	• Not mentioned	• Not mentioned	Such arrangements shall be made for the parking of motor cars and other vehicles in the vicinity of the buildings as the licensing authority may require.	Such arrangements shall be made for the parking of motor cars and other vehicles in the vicinity of the buildings as the licensing authority may require.

	Maharashtra	Uttar Pradesh	Karnataka	Madhya Pradesh
Sanitation	Every cinema shall be provided with sufficient and separate urinal accommodation for the use of males and females. In the case of cinemas within the limits of a municipality, suitable urinals as approved by the municipality at the rate of not less than 2 percent, and latrines at the rate of not less than 1 percent, of the number of individuals to be accommodated in such premises shall be provided in suitable places. Separate accommodation shall be provided for males and females. They shall be so constructed as to cause no nuisance.	There shall at-least one latrine seat for every 100 person or less and at-least one place for urinating for every 50 persons or less of total seating accommodation: The premises shall be kept clean and the auditorium shall be swept and cleaned before each exhibition Separate latrines for men and women at different places, and of a suitable type and design shall be provided. The latrine shall be cleaned and flushed immediately before and after each exhibition and shall be properly washed with a disinfectant at least twice a day	If the District Health & Family Welfare Officer of the district is satisfied about the provisions made for maintenance of sanitary facilities, public health, hygiene and cleanliness of the premises; he shall issue a certificate in form 'E-3' to that effect, within fifteen days after receipt of the application, which shall be valid for a period of five years:	Every cinema shall be provided with sufficient and separate urinal accommodation for the use of the males and females In the case of cinemas within limits of municipality, suitable urinals as approved by the municipality at the rate of not less than 2 percent and latrines at the rate of not less than 1 percent of the number of individuals to be accommodated in such premises shall be provided in suitable places. Separate accommodation shall be provided for males and females. They shall be so constructed as to cause no nuisance

Gujarat	Kerala	Rajasthan	Assam	Punjab	Orissa
Every cinema shall be provided with sufficient and separate urinal accommodation for the use of the males and females	Licensees of permanent theatres shall provide water closets at the rate of one for every 250 persons and urinals at the rate of one for every 50 persons. Licensees of temporary theatres shall provide as many water closets and urinals as may be specified by the licensing authority	Dependant on the inspection of the medical officer	Every cinema shall be provided with sufficient and separate urinal accommodation for the use of the males and females	Separate latrines and urinals shall be provided for each sex. The latrines shall be cleaned or flushed immediately before and after each performance and shall be washed with phenyl or other sanitary fluid at least twice a day.	Separate and sufficient number of latrines and urinals shall be provided for men and women, i.e., at least one latrine for 100 persons and one urinal for fifty. The latrines shall be cleared or flushed immediately before and after each performance and shall be washed with phenyl or other sanitary fluid at least twice a day. The latrine and urinals shall also be properly lighted.

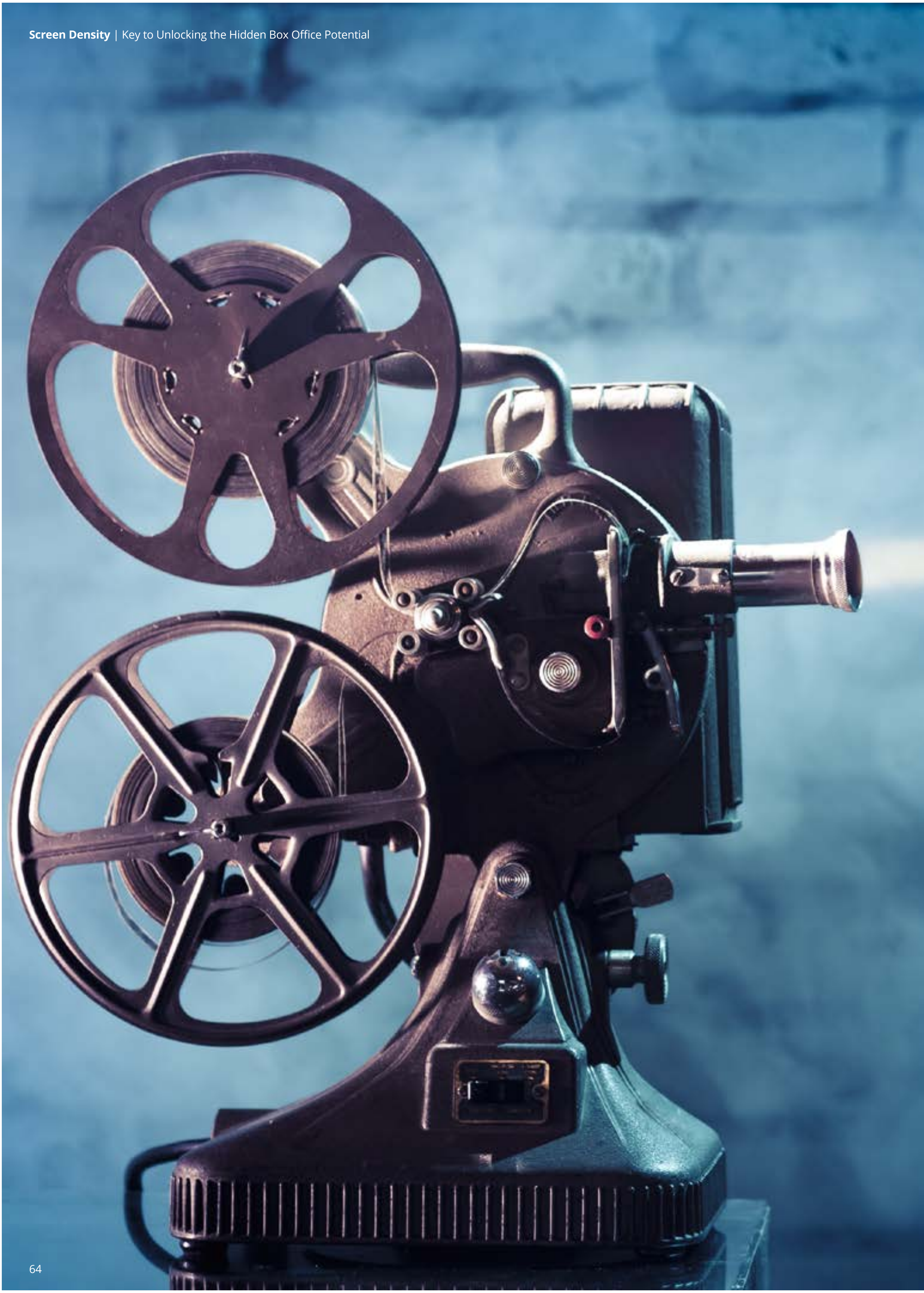
	Maharashtra	Uttar Pradesh	Karnataka	Madhya Pradesh
Conditions for granting and renewing a license	The application shall be accompanied by a plan of the proposed site drawn to scale and shall clearly indicate the surroundings, roads and buildings, Schools, hospitals, temples of other like places within a distance of 61 meters (400 meters for drive in cinemas) of the perimeter	No building, except one already licensed for cinematography exhibition before August 1, 1974, shall be so licensed- (a) if it is situated within a radius of 200 meter from the Raj Bhawan, the State Secretariat, the High Court, the State Public Service Commission or the Board of Revenue; or (b) if it is situated within a radius of 75 meter from- (i) any recognised educational institution (other than primary school) or any residential institution attached thereto; or (ii) a public hospital with 25 or more indoor patients; or (iii) any building housing an office of a head of the department of the Central or the State Government or the district civil of criminal courts: or (iv) any other institution which the Government may consider necessary in public interest to declare an institution to which this clause applies; or (c) if for any other sufficient reason to be recorded, the licensing authority is satisfied that the location of a cinema at the site of that building is not public interest	An extract of a town map drawn correctly to scale in six copies with one original plan printed on tracing film and also in digital format, and six prints or copies of the same map shall be provided clearly indicating the surrounding roads and buildings which exist up to a distance of 500 meters and 1000 meters in case of drive- in cinemas from the proposed site, the distance of all educational institutions, hospitals, places of worship or other places of public importance from the said site are also be shown	The application shall be accompanied by a plan of the proposed site drawn to scale and shall clearly indicate the surrounding roads and buildings which exist upto a distance of 200 metres of the proposed site. Schools, hospital, temples or other like place should be clearly indicated in the plan
Source	http://www.bare-actslive.com/MAH/mh645.htm#0	http://upati.gov.in/MediaGallery/UP%20Cinematograph%20Rules-1951.pdf	https://www.ksei.gov.in/pdf/Acts%20&%20Rules/HD%2012%20CNA%202010.pdf	http://www.code.mp.gov.in/WriteReadData/Pdf/Rule_1972_0066_Pdf_F183_English.pdf

Gujarat	Kerala	Rajasthan	Assam	Punjab	Orissa
No specific mentions	No specific mentions	No specific mentions	No specific mentions	Shall not be within a radius of - (i) 75 metres from a place of worship, a cremation ground, a graveyard, a cemetery, or (i) 200 metres from a recognised educational institution such as a college, a high school or girls school or any residential institution attached to such educational institution; or (iii) 75 meters from a public hospital with a large patient ward; or (iv) 75 metres from an orphanage containing one hundred or more inmates; or (v) 75 metres from a thickly populated residential area which is either exclusively residential or reserved or used generally for residential as distinguished from the business purposes.	The building shall not be within a radius of 100 metres of educational institutions, hostels attached to such institutions and hospitals including hospitals under private management. If after grant of licence educational institutions, hostels and hospitals come up within the restricted areas, it shall not stand in the way of renewal or licence already granted to the licensee.
https://cet.gujarat.gov.in/Gallery/Media_Gallery/Image1848.pdf	https://archive.india.gov.in/allimpfrms/allrules/2367.pdf	http://164.100.222.222/content/dam/homeportal/homede- partment/pdf/RulesGroup6/Cinema%20Act.pdf	https://gad.assam.gov.in/sites/default/files/swf_utility_folder/departments/gad_uneecopscloud_com_oid_3/how_do_i/level_1/The%20Assam%20Cinemas%20%28Regulation%29%20Rules%2C%201960.pdf	"http://www.bareactslive.com/HRY/HL085.HTM https://tcpharyana.gov.in/Notification/16.06.2016_UNIFORM%20BUILDING%20CODE.pdf "	http://www.bareactslive.com/Ori/OR101.HTM#0

Annexure III:

S. No.	States	Screens	Population (Mn)	Screens / million
1	Uttar Pradesh	532	207.28	2.57
2	Maharashtra	1033	112.37	9.19
3	Bihar	276	103.80	2.66
4	West Bengal	434	91.35	4.75
5	Madhya Pradesh	287	72.60	3.95
6	Tamil Nadu	906	72.14	12.56
7	Rajasthan	244	68.62	3.56
8	Karnataka	812	61.13	13.28
9	Gujarat	665	60.38	11.01
10	Andhra Pradesh	1388	49.39	28.10
11	Orissa	155	41.95	3.70
12	Telangana	219	35.29	6.21
13	Kerala	487	33.39	14.59
14	Jharkhand	78	32.97	2.37
15	Assam	77	31.17	2.47
16	Punjab	242	27.70	8.74
17	Chhattisgarh	124	25.54	4.86

S. No.	States	Screens	Population (Mn)	Screens / million
18	Haryana	140	25.35	5.52
19	Delhi	103	18.98	5.43
20	Jammu and Kashmir	29	12.55	2.31
21	Uttarakhand	73	10.12	7.22
22	Himachal Pradesh	30	6.86	4.37
23	Tripura	5	3.67	1.36
24	Meghalaya	11	2.96	3.71
25	Manipur	4	2.72	1.47
26	Nagaland	7	1.98	3.53
27	Goa	28	1.46	19.21
28	Arunachal Pradesh	3	1.38	2.17
29	Puducherry	7	1.24	5.62
30	Chandigarh	9	1.06	8.53
31	Sikkim	4	0.61	6.58
32	Andaman and Nicobar	2	0.38	5.26
33	Dadra and Nagar Haveli	4	0.34	11.67
34	Daman and Diu	5	0.24	20.58



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