

A Dispute in Bollywood Over Revenue

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MUMBAI — It could almost be the plot of a Bollywood melodrama: A businessman, feeling frustrated and shortchanged after spending years as his brother's junior partner, lashes out, igniting a conflict that puts their fortunes at risk. The actors Shah Rukh Khan, left, and Aamir Khan appeared together to support filmmakers.

Alas, for fans of Indian musicals and action thrillers, this is not the description of a movie about dysfunctional families. It is a real-life battle between film producers and theater owners that has brought releases of Hindi-language movies virtually to a halt here. Indian movie producers and distributors are refusing to release movies to big theater chains until they get a guarantee of 50 percent of the revenue from ticket sales on all movies for the first four weeks of their run. Revenue-sharing arrangements are now negotiated movie by movie.

The dispute, which has been simmering for years, is coming to a boil at a difficult time for Indian movies. The country's big Hindi-language film industry, known as Bollywood, has not produced a big hit in the last three months. Box-office revenue fell 2.3 percent in the first quarter from sales in the period a year earlier, to 2.6 billion rupees, or \$52 million, according to IBOS, a film-industry news service. At the same time, the financial crisis has made it harder for movie producers to raise money for new projects. Only a few movies have been released since the embargo went into effect last week. Producers say they are willing to hold movies back indefinitely until they get "fair rights for Friday nights," the evening that movies are released.

Just as it does with its blockbusters, the industry has carefully stage-managed the strike. At a recent news conference, for instance, two of the country's biggest film stars and producers appeared to bury a long-running feud in an effort to present a unified front. The actors, Shah Rukh Khan and Aamir Khan, who are not related, hugged awkwardly in front of a who's who of the filmmaking fraternity as dozens of photographers and camera operators jostled to record the moment. "Normally, creative people say, 'I'm creative, I'm a little crazy, I should make more,'" Aamir Khan said. "We are saying we want to be equal partners." Filmmakers may have star power on their side, but theater owners say their position is grounded in harsh economic realities. They assert that an across-the-board revenue split would cripple theater chains because most of the hundreds of movies released every year do not earn much money. The chains control 850 of the 13,000 movie screens in the country, but they earn as much as 65 percent of the industry's revenue because ticket prices in the plush and modern chains are substantially higher than those in older, single-screen theaters.

Shravan Shroff, managing director of the Fame cinema chain, said the chains wanted a sliding-scale formula that would reward producers with a bigger share of revenue when movies did well and give them a smaller cut when the films did not succeed. He pointed to Hollywood, where producers and theater chains divide profits differently for each film based on various factors, including how many tickets are sold. "We all want every film to work well; it's in everybody's interest," Mr. Shroff said. "But at the end of the day, if you make a superhit movie, I am happy to pay; but if it's a flop, why should I be the only one to suffer? You should suffer more."

While both sides publicly profess to value each other and say they want to negotiate in good faith, they have been trading barbs and accusing each other of collusion, chicanery and, of course, greed. Film producers complain that chain operators often negotiate movie deals collectively and will hold out until the day or two before a release to sign deals so that they can extract better terms. They also accuse some theaters of fudging ticket sales and taxes to keep a bigger slice of revenue. "They would not settle the terms till the Wednesday or Thursday before the movie would play, and they would act together," said Jyoti Deshpande, chief operating officer for Eros International, a large movie production and distribution company. "It was almost demeaning to do business that way." But the theater owners assert that it is movie producers and distributors who fight over the terms of the deal until the last minute. They also deny accusations that they manipulate sales and tax data, saying they would face stiff penalties for doing so. "We would also love to have the movie signed the week before," said Alok Tandon, the chief operating officer of the Inox Leisure theater chain. "We love to open our box office for advance bookings."

Thankfully for both sides, April is often a weak month for movies. This year, movies would have competed with a wildly popular cricket tournament, the Indian Premier League, which will be played in

South Africa beginning April 18 but will be broadcast widely throughout India. Also, national elections start next week and run for a month. “They can afford a strike in April, but if it spills into May, both sides will be hurt a lot,” said Gitesh Pandya, editor of BoxOfficeGuru.com The strike could benefit producers that make movies in languages other than Hindi, which is spoken primarily in north India. But producers in Bollywood say they hope big studios in the south and elsewhere will also hold back movies. The theater chains, for their part, are trying to line up rights to show cricket matches — India’s other great passion — if a deal is not reached soon.