



CLOSE ENCOUNTERS OF A DIFFERENT KIND

Film producers and directors, studios and financiers from Bollywood and Hollywood are increasing their exposure and stake in each other's markets. A report by **Dipta Joshi.**



Namaste Hollywood: Bollywood stars Katrina Kaif and Akshay Kumar in Namastey London

MUCH before British director Danny Boyle's Oscar-award winning film on Mumbai, 'Slumdog Millionaire', took India to Hollywood, some of its biggest studios had already recognised the potential in India.

Investing in offices and other facilities in India, these Hollywood studios are now making movies to offer audiences everything that blockbuster Hindi films do. Bollywood too is reaching out to the American film industry to garner a share in the global entertainment business.

Hollywood's biggest players have stepped up their Indian plans to operate and gain a major share in India's burgeoning entertainment pie. No longer are these players content with a few releases in big cities or with the release of blockbusters dubbed in local languages. Of late, they have been teaming up with Indian directors and actors to produce films locally. They are also tying up with production houses and acquiring finished movies.

"It has been a good move on our part to be present in more than one vertical like production," says Kerby Daruwala, managing director, India operations of Sony Pictures Entertainment (SPE). "Acquiring

ready films has added immense value to our existing library."

SPE was one of the first Hollywood studios to get the government's approval as early as 1996, to set up a presence in India. Though its first Hindi movie production, 'Saawariya' (November 2007), did not last long at the theatres, the company stays committed to its plans for the Indian entertainment market.

It has been associated with a number of big- and mid-size productions like 'Raaz – the mystery continues', 'Hello' and the soon-to-be-released 'Tere Sang'.

Another Hollywood major, Walt Disney Studios, has tied up with one of India's biggest production houses, Yash Raj Films, to co-produce a series of animated films for Indian audiences. Though its maiden venture, 'Roadside Romeo' (2008) did not set the cash box jingling, it has others films lined up, though all are at the planning stage.

Warner Bros Pictures is also increasing its exposure to India, despite the tepid response that its big-budget debut film, the Akshay Kumar-starrer, 'Chandni Chowk to China' received from the Indian audience. It will now produce and distribute three movies with People Tree Films. All three – 'Jaane Kahaa Se

Aayi Hai', 'Basra' and 'Chandbhai' – are slated for release this year.

Moreover, the company is also looking at tapping into the south Indian film industry. It has entered into an exclusive multi-picture deal with Ocher Studio, owned by southern superstar Rajnikanth's daughter Soundarya, for production and distribution of action-packed south Indian language films.

Another Hollywood major, Fox Star Studios, a joint venture between Twentieth Century Fox and Star, has not only gained access to Bollywood, but also decided to expand its operations to the Tamil film industry. It has signed an exclusive deal with 'Ghajini' director A.R. Murugadoss. Interestingly, Tamil films constitute India's most popular genre after Bollywood.

Indian players too are gung-ho on several verticals in the overseas entertainment business. There exists huge scope for India's new breed of filmmakers who are not adhering to the tried-and-tested formula.

UTV Motion Pictures (UMP) has been associated with several major Hollywood studios. Most recently, it has co-produced Indian-American director Mira Nair's 'The Namesake' and the Chris Rock-starrer, 'I think I Love My Wife' with Fox Searchlight.

In June last year, it also co-produced India-born director M. Night Shyamalan's 'The Happening', a US\$57million co-production with 20th Century Fox.

The company will also be working on a co-production with Will Smith's Overbrook Entertainment for an animation and action-packed Hollywood movie.

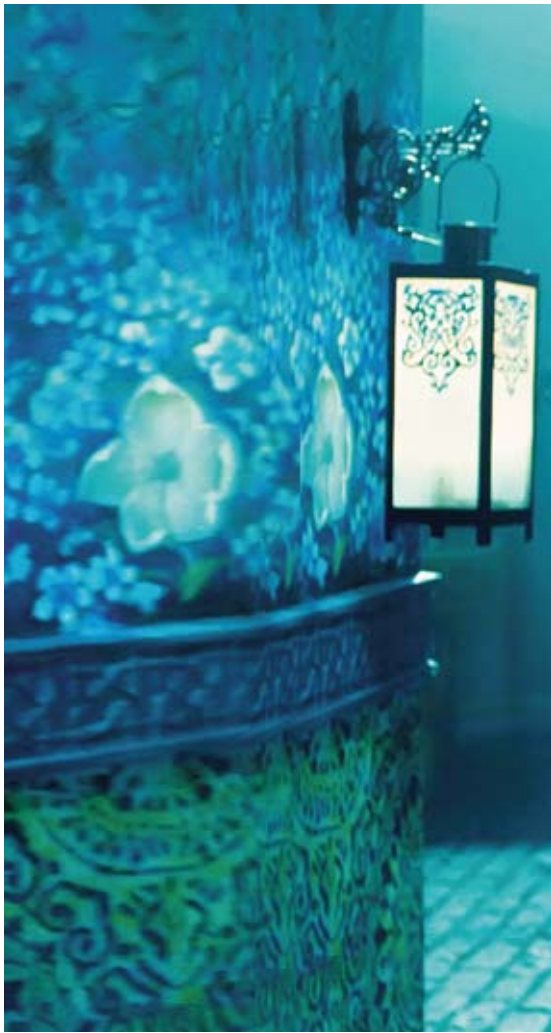
In May 2008, UMP announced its first solo Hollywood film production titled 'Exterminators'. "Over the last few years, we have forged some great working relationships with the leading studios in

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Ronnie Screwvala,
ceo, UTV Group

Hollywood and with top acclaimed international talent," said Ronnie Screwvala, ceo, UTV. And this, he says, has led to some unique projects.

Another corporate player in the Indian entertainment business is Reliance Big



THE HOLLYWOOD - BOLLYWOOD MIX

OVER the last five years, several films that feature Indian and western themes, and involve the creative efforts of directors, producers, actors, technicians and financiers from India, the US and the UK have been released. Some such recent productions are:

- Slumdog Millionaire – Despite a British filmmaker (Danny Boyle) at the helm, it was one of the first international films to deploy a largely Indian crew. A R Rahman, who scored the film's music, and sound recordist, Resul Pookutty, received Oscars for their work. The film also got its Indian

actors international recognition.

- Kambakkht Ishq - A recent rom-com (romantic comedy), the film has been cashing in on the guest appearances put in by Hollywood stars such as Sylvester Stallone, Brandon Routh and Denise Richards.
- Marigold – Despite not being able to set the box office on fire, director Willard Carroll's 2007 film holds the distinction of being the first to cast an American star as the main lead in a Bollywood movie. Indian superstar Salman Khan was cast opposite Ali Larter.

- The Namesake – Directed by India-born and New York-settled filmmaker Mira Nair, the film was based on a novel by Pulitzer prize-winning author Jhumpa Lahiri. The film cast a mix of Indian and American actors and was co-produced by UTV Motion Pictures. Nair is also working on the big-budget Johnny Depp-starrer Shantaram.
- Bride and Prejudice: A romantic musical directed by Gurinder Chadha, the film was an Indo-British-American joint venture. A Bollywood-style adaptation of Jane Austen's Pride



Global audience: Bollywood films such as Saawariya (above) have had a huge fan following around the world

and Prejudice, the 2004 film featured former Miss World Aishwarya Rai.

- **The Happening:** It was written, co-produced and directed by Indian-American M. Night Shyamalan. The US\$57 million film was co-produced by UTV Motion Pictures.
- **Saawariya:** It was the first Hindi film to be produced by Sony Pictures Entertainment. Directed by Sanjay Leela Bansali, the US\$8.25 million film was the first Bollywood movie to be released in North America by a Hollywood studio.
- **Roadside Romeo:** A computer-animated film, it was co-produced by Yash Raj



Aishwarya Rai in Jodha Akbar

Films, a leading Indian production house, and Walt Disney Pictures.

- **Chandni Chowk to China:** Featuring Akshay Kumar and Deepika Padukone, this was Warner Bros Pictures India's debut film.
- **Singh is King:** American rapper Snoop Dogg donned a turban and rapped over the film's closing credits. The song became a hit with Indians around the world, and so did the Akshay Kumar action comedy, which became the highest grossing Bollywood film of 2008. The filmmaker, Vipul Shah, has since been signed on by Fox Star for a multiple-film deal.

'WE ARE BREAKING NEW BARRIERS AND NEW MARKETS'

Film and entertainment mogul, Ronnie Screwvalla, ceo of the US\$1 billion UTV Group (by market cap), is among the select few in the world of Indian show-biz to have expanded the company's geographic boundaries, entering into joint ventures with Hollywood studios, financiers and filmmakers. An interview with **Screwvalla**.

What has been the impact of the economic slowdown on the Indian entertainment industry?

There has not been much pain, except for a brief, six-month period. I would say this is the right kind of correction. There was too much of equity chasing a fair amount of immature and non-scalable business models, in the hope one can scale them up.

As anywhere in a booming economy, everyone thinks what comes first is the top-line, then the business model and then finally the bottom-line. I think the way it all works up is first comes the business model and then the top-line and bottom-line together.

There has been a fair amount of good correction that has happened. We are breaking new barriers and new markets.

What are the challenges confronting the Indian entertainment sector? And what are the opportunities?

The biggest challenge is that the consumer has to start paying for content in India. For almost three decades we pretty much got everything for free. It's not about how many more channels are there (in television) or has the movie industry and the box office grown. The big opportunity today is not in creating more demand, but to get the consumer to start paying.

Foreign films still account for a negligible share of the box office in India. Hollywood productions account for just 5 per cent of India's box office and this has been the case for the last 20 years.

There is not a single English language programme from the West – even the most popular ones – that is in the top-500 programmes on television. But foreign films and television programmes have a premium factor. There is a fair amount of international fare here because they



Ronnie Screwvalla

reach out to a strong, high net-worth minority. Therefore, the power ratio of what people would be willing to pay to reach out to this segment is high.

The international companies that we have tied up with are very clear that they want local partnerships so we can both grow together. They do not come here to own companies.

The whole small-screen market in India is worth US\$5 billion. That is a combination of revenues of broadcasting, cable, and revenues from TV content. Actually, that is a minuscule amount. About 70 million cable homes are paying an average of about US\$1.5 a month to watch about 300 to 400 channels. They should be paying an average of US\$4 to US\$6 to watch that many channels or even less.

But despite the low rentals, the industry has grown. That is the opportunity in India. It is a cup that is one-tenth full and nine-tenths empty. On the small-screen, the issue is not whether advertising revenues will grow from US\$1.1 billion to US\$1.4 billion. That is quite irrelevant. It is how to raise the average monthly rental from US\$1.5 to US\$6 or even US\$9.

The US\$5 billion revenues of the TV industry should actually be US\$15 billion – that is the single largest opportunity right now. The motion picture industry in India is about US\$1.5 billion, which is

quite small. The movie industry is 120 years old and still only worth US\$1.5 billion, while the television industry – it really took off in 1992 – is already worth US\$5 billion.

Frankly, for both television and films, this is the tip of the iceberg. For television and broadcasting about 80 per cent and 95 per cent, respectively, of revenues come from advertising. Advertising revenues are growing in double digits.

What kind of growth do you expect for the motion picture industry in India?

Till just about five years ago, there was just a single genre of films in India. The director was the producer, who sold his film to a distributor, who had no clue how to market the movie. Nobody grew the market. Everybody knew the formula – get a superstar and release the movie.

But all that is changing. Now we have the studio model, the concept of marketing, the multiple genres, the increase in infrastructure, the multiplexes and higher ticket pricing, the advent of home video as an option, the pay-per-view concept through direct-to-home (DTH). So, do we see a growth rate of 40 to 45 per cent per annum for next five years? Yes.



Bollywood blockbusters: International studios are learning to make movies the way Indians do - with local emotions, directors, songs and dance

GLOBAL FILM FINANCING HUB

THE biggest deal in the Indian entertainment sector was stitched up recently when Anil Ambani, chairman, Anil Dhirubhai Ambani Group (ADAG), formally entered into a partnership with Steven Spielberg's Dream Works, providing funding of US\$825 million.

Reliance Big Entertainment (RBE), part of ADAG, will provide the initial funding, which would enable Spielberg to make about half-a-dozen films for a global audience. The films would feature Hollywood stars including George Clooney, Julia Roberts and Brad Pitt. Dream Works, which parted ways with Viacom's Paramount Pictures in September 2008, has been starved of funds since then.

According to Ambani, the joint venture with Dream Works is just the beginning for the entertainment giant. The group would evaluate various options for funding the joint venture.

RBE also has plans to produce films jointly with other Hollywood production firms, including Saturn Productions (owned by Nicolas Cage), JC 23 Entertainment (Jim Carrey), Smokehouse Productions (George Clooney), 1492 Pictures (Chris Columbus), Playtone Productions (Tom Hanks), Plan

B Entertainment (Brad Pitt), Everyman Pictures (Jay Roach), Rat Entertainment (Brett Ratner) and Red Om Films (Julia Roberts).

Timmy Kandhari, head, media and entertainment practice, PricewaterhouseCoopers, believes that India could emerge as a centre for global film financing, with other Hollywood studios also seeking funding from here.



Steven Spielberg and Stacey Snider, his business partner, with Anil Ambani

Entertainment (RBE), which has expanded its international operations across different media and entertainment verticals. The company introduced its innovative development and production financing deals, 'Creative Partnerships', and has signed more than 20 individual projects with the production companies of various actors, including Brad Pitt, George Clooney, Tom Hanks, Nicolas Cage, Jim Carrey and Julia Roberts.

RBE also owns 165 screens in the US across a circuit that accounts for 20-35 per cent of the box office collections of Hindi feature films and over 65 per cent of collections of Tamil films in the US. The company has also entered into a deal with Steven Spielberg to start a studio.

The Anil Dhirubhai Ambani Group (ADAG) firm considers these overseas deals to be the first step in the creation of a virtual studio and a new-generation media company. "Hollywood is the biggest market and an attractive one for us," explains Amit Khanna, chairman, RBE. "Our investments there are simply a part of our long-term business proposition."

Prithvi Nandy Communications (PNC) has recently inked a deal with London-based High Point Media Group to distribute and promote all the five films it will release in the international market this year.

Traditionally, most American movies are first premiered in the US. However, in a first, Sony Pictures held the premier of its 2008 James Bond release, 'Quantum of Solace', in India, a strong indication of India's growing stature in the global entertainment business.

Earlier this year, The Motion Picture Association of America (MPAA) opened an office in Mumbai. "Hollywood continues to keep a close watch on the Indian media and entertainment space," remarks Rajiv P. Dalal, managing director, Motion Picture Distribution Association, India (MPDA-I), the Indian arm of the MPAA. "Our studios and parent companies will certainly examine any profitable opportunity that arises."

According to film analysts, the major shift in strategy happened because



Cinema, cinema: It is the biggest form of entertainment in India with stars having a huge fan following

theatre releases of Hollywood films or even those that are dubbed into more than one local language did not really work. The revenue earned from these releases has barely been enough to recover the costs of marketing and distribution of the film in India.

International studios had to accept the fact that local entertainment still rules in India. "Hollywood studios have realised the only way to make a dent in the Indian market is by making movies the way the Indians do – with local directors, emotions, song and dance," says Farokh T Balsara, partner and national sector leader, media and entertainment, Ernst & Young.

Cinema is the biggest form of entertainment in India. According to industry estimates, about 14 million people visit cinemas every day in the country. The industry has been growing at a compounded annual growth rate (CAGR) of almost 18 per cent over the last three

years. Over the next five years, the industry is projected to grow at a CAGR of over 9 per cent and reach a size of US\$3.5 billion by 2013, according to a study by PricewaterhouseCoopers.

Much of this growth is expected as a result of the expansion of multiplex screens in tier II cities, enhanced penetration of home video and an increase in the number of TV channels, all of which are expected to fuel demand for film content.

"Such growth, coupled with the emergence of vertically integrated studios, is incredibly attractive to foreign investors," says Dalal of the MPDA-I. "Investors also recognise increased returns from Indian entertainment companies, now that Indian producers have moved beyond traditional box office revenue, and have embraced revenue streams such as television, mobile, Internet, home video, merchandise and music."



Racing ahead: The Indian entertainment industry is expected to grow at a CAGR of over 9 per cent in the next four years

On an average, Bollywood churns out over 800 films a year. Today the film-making process has become more professional with corporates stepping in. The industry is also moving towards adopting western norms, where theatrical revenue is only one-third or half of the overall revenue of the movie.

The move has cut down Bollywood's reliance on box-office collections. These are now down to 55-60 per cent from the 90 per cent about five years earlier, with the rest comprising revenues from the sale of music rights, satellite TV rights and merchandising.

The studios have also welcomed the digitisation of films, which means that with the help of cost-effective technologies, a movie can now be released simultaneously across different geographies. This has not only lowered print costs to nil, but also minimised the scope for piracy, thereby increasing the revenues of producers.

"Soon it will be technology that will

differentiate the products", says SPE's Kercy Daruwala.

For years, Bollywood's charisma has had a devoted fan following among the Asian diaspora settled around the globe. In the UK, Indian movies have been regularly making it to the box office top-10 rankings. In the US, stage shows with Bollywood themes (and celebrities) have always been a hit with Asian-Americans.

Indian film production units are being provided subsidies and incentives to shoot movies abroad. An attractive proposition, Indian producers have begun scouting for foreign themes, locations and even local cast and crew as part of the script.

Traditionally, Bollywood and Hollywood productions have been as different as chalk and cheese. However, Bollywood movies, many running for almost three hours with their song and dance routines, are increasingly receiving wider acceptability if the success of films like *Monsoon Wedding* and *Bend it Like Beckham* is any indication.

Hollywood studios have realised the only way to make a dent in India is by making movies the way Indians do.

Farokh Balsara,
partner, Ernst & Young

Riding high on the opportunities, studios both in Hollywood and Bollywood have not let the global recession dampen their enthusiasm. Says Dalal: "Historically, during economic downturns, movie sales remain constant because it is an affordable form of entertainment that provides enjoyment and escape from reality."

But even as they go ahead with their aggressive plans, studios and production houses are taking measured steps by evaluating their financials. "This will ensure that the absurd budgets of the past will now get scaled down," says Khanna of RBE.

The growing interaction between Los Angeles – the US entertainment capital – and Mumbai, its Indian counterpart, is benefitting both showbiz hubs. Bollywood is getting more professional in terms of its work practices, systems and movie-making capabilities. Hollywood, of course, can do with much of the funding that is available in India's financial capital and also the growing market for the 'dream-works' churned out by it.

One thing is certain: the close encounters between two of the world's biggest entertainment markets will continue to see many more joint productions and movies with common themes that would attract a global audience and also set the cash registers ringing at the box office. 🎬