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THE SIFA CHRONICLE

Volume 2 | Issue 12 | December 2022

HOW THE INDIAN FILM INDUSTRY MAKES MONEY?

According to Johar, most of the money is recovered from selling digital, satellite, music rights. He said, "How a film earns money beyond the ticket sales is by selling the film's digital, satellite and music rights.

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EUROPE'S ENERGY CRISIS

Energy prices have hit all-time highs in 2022, especially as a consequence of Russia's unjustified invasion of Ukraine and its use of gas supplies as a weapon of war.

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INDIAS G20 PRESIDENCY

The Group of Twenty (G20) :
(G20) is the premier forum for international economic cooperation. It plays an important role in shaping and strengthening global architecture and governance on all major international economic issues.

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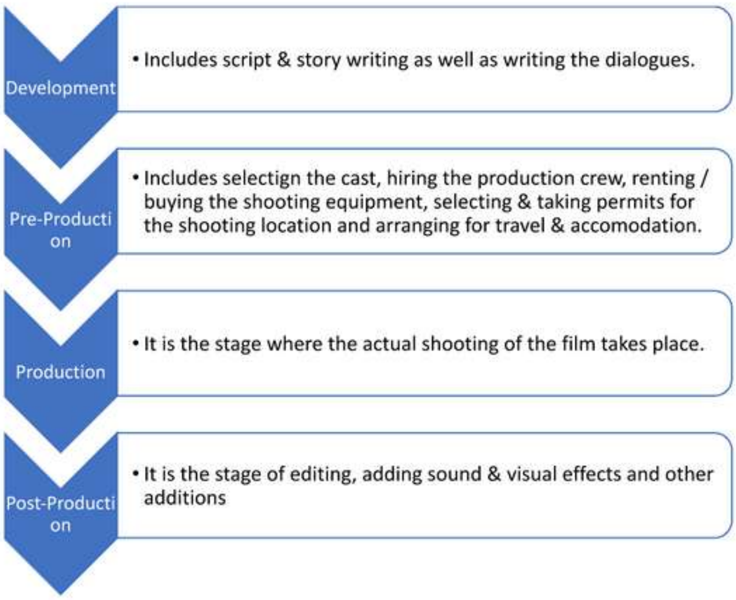
HOW THE INDIAN FILM INDUSTRY MAKES MONEY?

While some movies are a flop from the audience's point of view but actually are a financial hit, other movies are loved by the audience but are a flop in the box office.

For instance Race 3, one of the lowest rated movies in Bollywood, actually grossed over Rs 300 Cr while having a budget of Rs 180 Cr. On the other hand, Mera Naam Joker, a movie by Raj Kapoor which was a sensation at the time of the release actually lost money with Raj Kapoor ending up almost in a financial crisis.

To understand this complexity, we must first understand the film making process which is divided into 4 stages :



These stages together in their entirety require a large amount of cash which no single individual has and can afford for a single film.

This is where Production Houses & Producers come in. Similar to how investors invest their money in stocks, producers invest their money in films and expect it to give them an excellent return if the film is hit.

Some films have a large budget and hence require to be backed by two or three production houses.
For instance, Brahmastra Part One : Shiva had 5 production houses - Dharma Productions, DNEG, Star Studios, Prime Focus Production and Starlight Pictures.

While Producers are the main investors of a film, Directors work on the actual film and keep an overview on all stages of film making. They usually work on a salary basis just like actors but sometimes big directors make a profit sharing deal with the producers where they get a certain share of the profit earned by the film. Hypothetically, if a director makes a deal of 20% share of the profit made by the film and if the film's net gross in Rs.250 Crore then the director will get 20% of it or Rs.50 Crore.

But a film's success or failure usually depends on the cast's image and popularity. The bigger the actors in the film, the higher the chance of it being a hit.
Sometimes even the actors make a profit sharing deal with the producers in order to not let the producers bear all the risk of investing in the film. In such a case they indirectly become the producers of the film.

Once the film is made, it is sent to a film distributor. Their role is to further distribute and market the film to the theatres and OTT platforms. They make money by selling the Digital Streaming Rights and making deals with OTT platforms.

World Television Premiere of a certain film by a television channel is actually the channel paying to the distributor for purchasing the right to televise the movie for the first time on the television.
There are three ways of profit sharing between production company & distribution company :

1. Minimum Guarantee Royalty where the distributor pays a minimum guaranteed amount to the producer irrespective of the film being a hit or a flop. In addition, it pays some % of profit as a royalty payment to the producer if the film is a blockbuster.
2. The producer sells the entire film to the distributor and the distributor enjoys all the profits or bears all the losses. The distributor avails all the rights of the film.

In Mera Naam Joker, Raj Kapoor invested a lot of money in the film and kept his home as collateral to produce the movie, the budget was Rs.1 Cr but box office collection was just Rs.80L. So he sold the movie to a Soviet Union Distribution Company in Rs.15 L. The company released it in their region and it became an instant blockbuster, the total collection was Rs.16.81 Cr which is Rs.1007 Cr in present time. As a result of the deal Raj Kapoor made, he got no profit.

1. The most common way is that the producer gives the film to the distributor on commission basis. Here the distributor gets commission from the overall profit and all risk is borne by the producer.

However, at times the production company and the distribution company are the same. In this case, the company makes separate budgets for production and marketing & distribution.

Distributors do not actually go to the theatres directly, they make deals with sub-distributors of different regions.
India is divided into different areas which are called distribution circuits. Hindi films have 11 such distribution circuits.

1	50 : 50
Week Number	Ratio (Sub-Distributor Exhibitor)
2	40 : 60
3	30 70

Considering all of this, the theatres also have to pay taxes to the government.

Sub-distributors further make deals with exhibitors (theatre owners and companies) to showcase the film in cinema halls. There are two types of cinema halls: Single Screen cinema halls where share of profit is usually 75:25 in favour of the sub-distributor. It can vary by +/- 5%. Multiplexes, which actually are just theatres inside malls. Here the ratio changes weekly. It starts off equally and gradually changes in the following way:

Ticket Price	Tax Applicable
If < Rs 100	**12%**
If > Rs 100	**18%**

The money left after tax deduction is called Net Collection. The GST is shared by the State & the Central Government.

If any State decides to declare a film tax-free, only the component of SGST is removed.

OTT platforms are not subject to regulations by the government. Telecom operators are liable to pay taxes in every country they operate in as opposed to OTT service providers, who are liable to pay taxes to the country where there main headquarters are located. *(Source : TDSAT)*

Over the years, the Indian film industry has grown in leaps and bounds. It has produced films and superstars who are now recognized globally. Indian films present a cultural challenge to the global film making industry. India has a unique niche in cinema culture, one that every cinephile should examine. As one of the largest cinema hubs in the world, the Indian film industry is renowned for its glitz, vibrancy, and drama. With this rate of growth, the Indian Film Making Industry is all set to reach new heights !

~ *Shaurya*

EUROPE'S ENERGY CRISIS

Europe is a global leader in modern trade and politics often involved in influencing world affairs and setting the standards for the policies and actions of other countries. As a result of its liberalized trade and standard policies, the EU has profoundly impacted global economics and international affairs. However, 2022 revealed Europe's Achilles' heel: its energy. Tensions in the global geopolitical scenario, combined with tight economic conditions, led to Europe facing a massive energy crisis and the cost of living skyrocketing to unexpected levels.

The energy crisis began to surface on a global level in 2021. The pandemic-linked lockdowns resulted in a rapid drop in energy demand during 2019–20, so much so that crude oil prices fell below zero dollars for the first time in history. As nations removed restrictions and got back on their feet, the global economy experienced a remarkable recovery. The fast-paced nature of the economic rebound created a drastic demand and supply imbalance in the energy markets.

Come February 2022; the energy markets were further tightened, with Russia's military activities in Ukraine. Several countries imposed severe economic sanctions on Russia, including their removal from the Swift system, export limitations, and asset and travel freezes on high-net-worth individuals. Russia retaliated with its own set of economic measures and also restricted gas and oil supplies to various nations. These tensions resulted in a full-fledged energy crisis, with prices for oil, natural gas, and electricity reaching alarming levels. Though the energy crisis was global, Europe was hit the hardest.

WHY DID EUROPE FACE SUCH A SEVERE ENERGY CRISIS?

According to the Household Price Index for Europe, electricity and gas prices surged by as much as 69% and 111%, respectively, in 2022, compared to the prices in October 2021.

The question is, why did Europe, an economic powerhouse, get into such deep trouble? The recent turmoil between Europe and Russia put a limelight on Europe's historical and significant reliance on Russia for energy supplies.

At one point, the EU and the United Kingdom produced a sufficient quantity of crude oil and natural gas on their own. According to Eurostat, the EU domestically produced more than 40 million metric tonnes of crude oil in the early part of the century. Since then, the amount has steadily declined, reaching a low of 18.7 million metric tonnes in 2020. Natural gas production has declined because of the depletion of the North Sea gas fields in the U.K. and Netherlands.

In 2021, the EU imported more than 80 percent of its natural gas requirements. Coal production has dropped also because of the EU'S promise to achieve carbon neutrality by 2050. These developments over the past few years and decades have diversified Europe's energy mix to a great extent and resulted in Europe importing the bulk of its energy. In 2020, Europe produced 42% of its energy requirements, while the remaining 58% was imported. Russia was the EU's primary source of imported crude oil, natural gas, and solid fossil fuels.

The Yamal Europe pipeline and Nord Stream 1 are the main pathways for natural gas into Europe from Russia. On the other hand, Russian oil is transported through the Druzbah pipeline or via sea.

Following the Ukraine conflict, natural gas flows through Nord Stream 1 gradually decreased before the pipeline was completely shut down in late August 2022. Europe was left scrambling to find alternatives, as Nord Stream 1 was the largest pipeline carrying natural gas from Russia.

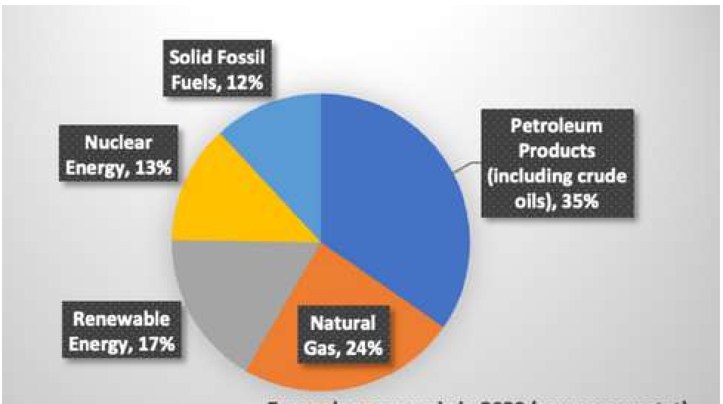
With European leaders making their intention clear to phase off Russian oil, the crude oil imports of the EU and the United Kingdom fell from 2.6 million barrels per day in January, 2022 to 1.7 million barrels per day in August. In October 2022, OPEC+ announced its decision to cut global oil production by 2 million barrels. Thus, Europe had to face constraints in the supply of both natural gas as well as crude oil.
Comparing this energy crisis with the oil shock of 1973 is inevitable. During the Arab-Israeli war in 1973, the price of oil skyrocketed, and several nations supporting Israel were embargoed. At the time, oil made up 60% of Europe's energy mix, and many thought that the conditions would destroy Europe's economic prosperity and bring about the end of cheap energy. However, the point to note is that in 1973 the crisis was restricted to oil, and the global economy was highly dependent on it.

HOW HAS THE SITUATION PROGRESSED?

Though the worst was expected, Europe has been able to stall the problem due to various well-thought-out policies and several other factors going in its favour. Europe secured alternatives to Russian energy, mainly in the form of shipborne liquefied natural gas from Qatar and the U.S. Between January and September of 2022, the EU broke its previous yearly record for LNG imports. By November 2022, the European Union was able to fill 95% of its gas storage. The continent's energy system also worked to its best capabilities by making sure that vulnerable countries secured a sufficient amount of energy.

During this challenging period, the EU implemented targeted policies to assist businesses and consumers. It allocated more than $700 billion in funds to secure energy and protect citizens from the burden of rising prices.

In an interesting turn of events, climate change and COVID-19 came to Europe's rescue and helped it maintain its energy supplies. China's adoption of a zero covid policy led to a drop in global energy demand and meant that there was more energy, especially natural gas, available for Europe to consume. China even resold some of its imported LNG to Europe.
A milder winter than usual meant that Europe emergency measures were not tested to their full capabilities. As a result, in late December 2022 and early January 2023, natural gas prices reached pre-invasion levels. The oil prices also recovered to a great extent.



Europe's energy mix in 2020 (source:eurostat)

WHAT IS THE FUTURE OF THIS ENERGY CRISIS?

Europe has tackled the problem for one winter, but the worry about preparing for the next winter has already set in. An uncertain political environment, recession fears, and consistent interest rate rise could all contribute to the energy crisis lasting several months.

On December 5, 2022, the G7 countries, accompanied by the European Union and Australia, imposed a price cap on Russian crude oil transported via sea. The signatories have established a buyer's monopoly and agreed not to purchase Russian oil for more than $60 per barrel. The price cap has been implemented to dent Russia's thriving oil-based revenue. At the same time, the price cap is high enough to ensure that Russia is still incentivized to produce oil.

Russia is the world's third-largest oil producer, accounting for nearly 12% of global crude oil production. Since the nations participating in this price cap have a hold over the worldwide shipping and insurance industries, they have also decided to withdraw these services from any ships carrying oil above the price of $60.

This policy attempts to prevent Russia from selling its oil to countries like China, India, and Indonesia at a price higher than the cap. As a direct retaliation, President Vladimir Putin has issued a decree banning the sale of Russian oil for five months, starting from February 1, 2023, to countries complying with the price cap. In 2022, Europe was still the largest Russian crude oil market despite the reduction in imports. With no other recourse, the European Union will have to turn to Middle Eastern countries like Saudi Arabia, Iraq, and Iran to meet its oil demands.

From a purely business perspective, these countries will be expected to increase the price of the oil they export. Thus, Europe will have to shell out extraordinary funds to secure essential oil supplies and may still face a shortage. The prospect of China transitioning from a 'zero covid' policy to a 'living with Covid' policy will remove the safety net for the coal, gas, and oil markets. The International Energy Agency has forecasted that "global oil demand would rise by 1.9 million barrels per day in 2023, climbing to a record 101.7 million barrels per day." Almost half of this gain is expected to come from China. The LNG market, which has been Europe's saviour, will also become more constrained, with China already contracting any new supply that will enter the market. The reopening of the Chinese economy will potentially create a gap of 30 billion cu. meters of gas supplies for the EU in 2023.

The silver lining has been that Europe has recognised the 'urgent' need for becoming energy independent and accelerating the long-term transition to more renewable and sustainable sources. In December 2022, the European Parliament and Council came to a "political agreement on financing REPowerEU." The REPowerEU plan focuses on "saving energy, producing clean energy and diversifying energy supplies."

2022 was a turbulent year for Europe as rising food prices and record-high inflation accompanied the energy crisis. Despite the challenges, the continent showed its resilience and managed to secure the necessary supplies to protect its economy and people. Though the situation might have eased a bit at the start of 2023, dark clouds still loom over the future. The upcoming months will be a testament to where this energy crisis is heading and, more importantly, where Europe is heading.

~ Hridya

INDIA'S G20 PRESIDENCY

SIGNIFICANCE OF INDIA'S G20

During its G20 Presidency, India will host about 200 meetings in 32 different sectors in multiple locations throughout India. The G20 Leaders' Summit at the level of Heads of State/Government is scheduled to take place on September 9 and 10, 2023, in New Delhi. The G20 represents the premier forum for international economic cooperation, representing about 85% of the global GDP, over 75% of the global trade, and about two-thirds of the world's population.

According to Prime Minister Modi, this period may present India with a chance to showcase its knowledge of women's empowerment, democracy, and digital technologies to the rest of the globe.

As a nation with fundamentally democratic ideals, India can demonstrate to the rest of the globe how conflict can be resolved when democracy is ingrained in society. The escalating war between Russia and Ukraine makes this more significant. India's foreign policy prioritises the "common benefit of the world." India intends to expand this approach through its G20 leadership in order to find long-term answers to some of the major global issues that result from the interconnection of the world, including climate change, new and developing technologies, food and energy security, etc. The G20 Troika would consist of India, Indonesia, and Brazil during India's Presidency. It is envisaged that this would lead to a change in the G20's power structure that will favour emerging nations and give them a bigger voice in decision-making.

India has a fantastic opportunity to address long-standing inconsistencies that disadvantage developing nations, particularly in the area of agriculture and food subsidies, during its G-20 Presidency.

VOICE OF GLOBAL SOUTH SUMMITS

On January 12–13, 2023, the government decided to hold a virtual conference of poor nations, which it dubbed the "Voice of the Global South Summit." It was anticipated to be the biggest digital gathering of developing-nation leaders and ministers.

India wanted to consult other developing nations not included in the G20 about their goals for development and what they anticipated India would accomplish during its chairmanship. The goal was to increase developing nations' sense of involvement in the G20 process so that the G20 could then deliver better outcomes to support "human-centric development." No G20 summit host before this one had considered holding such a conference.

The summit's results were observable. The importance of South-South collaboration and the necessity of jointly defining the global agenda were the primary points of agreement; the creation of regional centres for healthcare, and the necessity of implementing digital health solutions;

The deployment of digital public goods can significantly increase financial inclusion in developing countries; the need for greater investment in connectivity infrastructure; that the developing world believes the developed world has not met its obligations on climate finance and technology; that all can benefit from sharing our best practises in vocational training and using technology for distance learning.

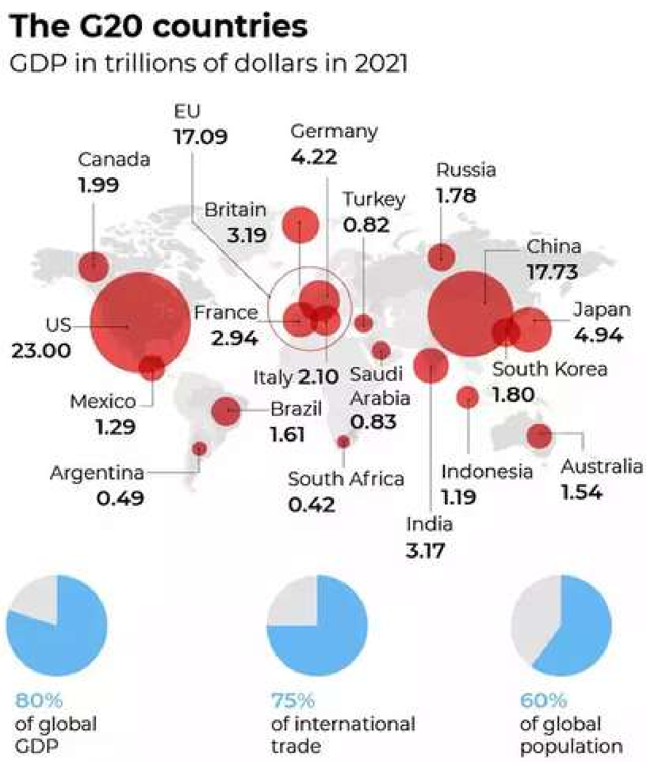
The significance of reducing emissions during production and switching from "use and throw consumption" to more ecologically friendly fashions.

Arogya Maitri (Wellness Friendship), the Global South Center of Excellence, the Global South Science and Technology Initiative, the Global South Young Diplomats Forum, and the Global South Scholarships are five other new projects by India that PM Modi also disclosed. The specifics will shortly be determined.

India has been cognizant of the concerns of the Global South because it is a founding member of the Non-Aligned Movement (NAM) and G77. The underlying purpose of the summit, according to a top source in the G20 Secretariat, was to learn more specifically about their micro-level demands and the most recent ideas of their highest-level officials.

TASKS TO BE UNDERTAKEN

- India must create a schedule that has the support of all the members. Reforming internal governance is necessary to promote inclusivity and unity.
- India must collaborate with developed nations on climate financing. Clean technologies and renewable energy sources need to be transferred from rich nations to middle- and low-income nations.
- Among the various effects of the epidemic, rising global public debt and inflation are among its most significant long-term effects. With 256 percent of the GDP, the worldwide public debt has risen to a hitherto unheard-of peak. Global lockdowns caused supply chain disruptions, which when combined with government relief money caused demand to increase and eventually lead to inflationary pressures.
- The conflict in Ukraine and the ensuing interruptions to the supply chain have increased inflation.
- India, as the G20 presidency, has a huge balancing role to play. High public debt and inflation are two fundamental obstacles to any economy, driving the nation into stagflation, raising the possibility of a sovereign debt crisis, increasing unemployment, and reducing the ability to respond to shocks. India's top priorities include addressing the nation's spiraling public debt, growing inflation, advancing the continuing health agenda in Indonesia, the digital revolution, the green transition, and general macroeconomic coordination.



• In collaboration with the World Trade Organization (WTO), the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), and the Financial Stability Board, India must develop a plan of action to address the issue.
• Implementing measures to secure global food security and formulating a clear G20 position on the conflict in Russia and Ukraine are additional issues.
• India must be adamant about enforcing a "code of behaviour" for all G20 members at a time when there are growing calls to ban Russia from the group.

In collaboration with the International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD), World Trade Organization (WTO), and Financial Stability Board, India must develop a strategy to address the crisis.
• At a time when there are growing calls to exclude Russia from the forum, India must talk tough on a "code of behaviour" for all G20 members and guarantee that it is enforced.

~ Akshaya

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