Digital revolution set to sweep India's Bollywood

By Narayanan Madhavan
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BANGALORE (Reuters) - Digital cinema is about to take off in India, home of the world's most prolific film industry, but not without some twists and turns worthy of a "Bollywood" melodrama.

In the United States, a digital roll-out has stalled while Hollywood studios and theater owners fight over who pays for top-quality computer-based projection systems that cost $80,000 to $100,000 per screen.

But in the Mumbai-based film industry known as Bollywood, entrepreneurs are willing to settle for a bit less quality at one-third the cost. They use cheap digital cinema in remote towns to cash in on blockbusters -- and in the process, beat back video pirates, too.

"Piracy can be completely prevented when the entire industry goes digital," said Senthil Kumar of RealImage Media Technologies, a start-up in Chennai (Madras) that makes digital video players.

But as with mobile phones, India opts for value over top quality, a strategy that makes sense in an industry where only one in 12 movies has made a solid profit since 2001.

Industry officials say low-cost digital cinema, called "E-Cinema" in contrast to the top-quality "D-Cinema," is just what Bollywood needs. Though less than 2 percent of the country's 13,000 cinemas are digital, 2006 should see some big roll-outs in India.

"E-Cinema is what is going to be appropriate for countries like India," Kumar says.

India, led by Bollywood, produces about 1,000 films a year and Kumar calls the industry "pure Las Vegas" because producers often gamble on a single blockbuster to make up for several flops. But transporting celluloid prints to remote towns costs more and gives video pirates enough time to mint cheap copies, cutting into profits.

And that is where start up companies like RealImage come in.
THEATERS ON RENTALS

Amit Khanna, chairman of Reliance Entertainment, an arm of India's biggest private group, Reliance, said digital cinema could help the industry make quick profits.

"The idea is saturation release. There is too much content chasing too many eyeballs," Khanna said.

While it takes around 70,000 rupees to make a celluloid print, ReallImage rents out digital copies to cinema owners at less than 400 rupees.

Using inexpensive digital copies, a theater can run a movie for four weeks at less than 10 percent of the cost of a print, taking the edge off cinematic flops.

ReallImage, which takes an upfront security deposit, but no equipment rentals from cinema owners, is now serving 40 screens in its home state of Tamil Nadu, and there are plans for 100 more across India by December, Kumar said.

Mumbai-based UFO Moviez, a service provider, uses satellites to download movies and last month ordered 500 projectors from U.S.-based Digital Projection International.

UFO now serves 50 cinemas and plans to reach 500 screens by March, a company official said.

Chennai-based Pyramid Saimira Theater Ltd., which uses ReallImage players, is also looking to satellites. The company, which has management contracts with cinema owners, is running cheap digital movies in 28 cinemas in Tamil Nadu, and plans to have 100 by the end of November.

UFO said on its Web site that digital systems can track every playback and set an audit trail to check pirates.

Multiplex owner Adlabs Films Ltd. (ADLF.BO) got into digital early with a 100-strong E-Cinema chain, but it did not do well because its single-microchip players offered lower quality. Kumar said the scene has now changed because new E-Cinema players use three microchips made by Texas Instruments Inc. (NYSE:TXN - news) that give Bollywood a better trade-off between cost and quality.

But there are still doubters.

"I don't want to be a mover or shaker in this," Shravan Shroff, managing director of multiplex owner and distributor Shringar Cinemas Ltd. (SHRC.BO), which runs 22 screens.

"I would be a fence-sitter till someone else does it. I can always go and buy the technology later."

(Additional reporting by Bob Tourtellotte in Los Angeles)
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