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## ASHTA CHAMMA — THE BIGGEST SMALL MOVIE EVER MADE (A)

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As Ram Mohan's car pulled into the Brahmaramba movie theatre in Hyderabad at 11:00 a.m. on September 5, 2008, his nervousness mounted. It was the big day, one that would determine if all his hard work over the past eighteen months would pay off or just go down the drain. It was the day his first movie, "Ashta Chamma,"<sup>1</sup> was being released.

"In today's market, there is no second chance for a small movie, Ram. It has to get a good opening for it to sustain at the box office" — the words of his mentor, Suresh Babu, the largest producer and distributor in the region, came back to him. As he saw people queue up at the ticket counter he wondered whether this 861-seater single-screen theatre would fill up at least 70 per cent, or would it just be he and his friends watching the movie?

In half an hour's time, the movie would start, and it would be clear if the risks he had taken had been worth it. Mohan bought himself a ticket and looked at the seat number: L16. That meant that half the balcony seats were already sold. He walked into the theatre and sat down to see for himself whether "Ashta Chamma" would pass the litmus test of audience approval.

### RAM MOHAN, THE NON-CONFORMIST

Mohan was the youngest of six siblings. His family belonged to India's middle class — his father had been a chief engineer in the state government of Andhra Pradesh. High educational qualifications and steady paid employment were the expectations the family had of the children.

After completing his engineering studies, Mohan joined the prestigious Indian Institute of Management, Ahmedabad, for a post-graduate degree in business. He was one of the few graduates from IIM-A (1991 class) who quit a stable campus job, after just one year as product manager with one of the largest Indian pharmaceutical companies. "In 1991, IIM-A graduates made an average starting salary of INR3,800 a

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<sup>1</sup> *Ashta Chamma*, literally meaning *Eights and Fours*, was a traditional board game popular in southern India.

month. The highest salary of INR5,200 was paid by a multinational bank.” Mohan found his salary of INR4,000 a month in the pharmaceutical company unattractive. He resigned and joined a stock-broking firm as a working partner. “I was looking for ways to make quick money.”

In 1992, stock market activity in India was limited, and trading was done the old-fashioned way, with traders screaming numbers and exchanging slips of paper on the trading floor. It was definitely not a glamorous profession!

Mohan quit the brokerage firm in early 1995, and branched out on his own as a sub-broker. Mohan had invested some money in return for a one-third share in an advertising agency called Clarity Communications. He named his proprietary stock-broking firm Clarity Finance and dreamt about building what he referred to as the “Clarity” group. “This was my first venture. And I dreamt big. I used to tell my friends, ‘One day, I will rule Bombay. I will be bigger than the Birlas and the Tatas!’” Neither business grew to meet Mohan’s aspirations and the dream petered out quickly. Mohan moved out of both businesses and sought an opportunity in an exciting sector, something that could be scaled up and replicated for growth.

“I was 25 years old then. And money from the stock markets can be pretty intoxicating. My goal had been to buy a new car by that age and I achieved it. But I was not really happy. Some company does the hard work and produces results, and market makers make the money. All that I was doing was analyzing the information, making the right investment, and feeling great about it. Deep down there was no satisfaction of doing something real.”

Something “real” came up in the form of a retail store, Eersha, for branded designer garments located in one of the most up-market areas in his hometown of Hyderabad. It was also one of the largest garment retailing stores in the city with an area of approximately 2,500 square feet. Mohan partnered with three friends, two of whom he knew from his childhood days and who came from business families. The fourth partner, Sheila Menon, was also a friend and was in the garments business as a manufacturer. A sunrise sector (retailing), a partner who had expertise in the business, a hot spot location, old friends as partners — Mohan was confident he was on to something big. There were only two large organized players in retail then, Shoppers Stop and Pantaloon (later renamed the Future Group). The four decided they would be equal partners and signed a lease agreement for the premises in May 1995. Banks wanted collateral to fund the business, and they had none to offer. Therefore, when the store opened in August 1995, the business was severely under-capitalized.

“I was young and terribly optimistic, and so were my partners. When we finished the store interior, we were over budget and had to pay INR 200,000 to our vendors who had supplied us interior decoration materials. So we started taking cash received from sales and paying off the vendors, which meant that we were in a negative working capital cycle from day one!”

“But this is how business is done,” one of the partners who had a business-family background told him. In a span of 18 months, while the store continued to break even on an operating level, there was a huge backlog of vendor payments to catch up with. Mohan then consulted his IIM-A classmate Vijay Aggarwal, a finance expert. Aggarwal could clearly see that the store was getting into a debt trap and advised Mohan to raise more capital. Mohan tried to rope in other partners, as his current partners were unwilling to increase their exposure. But this led to an egotistical situation where one of the partners decided to take over the store by force. Thus, in 1997, Mohan ended up with a huge amount of debt — money that he had raised from friends, family and his credit cards to keep the business running.

“I never lost my self-confidence as a result of my failure in the business. But I got a real experience of how cruel the world can be. Everyone abandoned me at that stage in life. All I was left with was my wife [he had fallen in love with Sheila and married her in 1996], a child, a few real friends and personal integrity. And this, I promised myself, I will never lose in this lifetime.”

This was the point at which Mohan felt that his life had hit rock bottom: absolutely no money, no one willing to give him a job, and no hope in sight. The situation continued for four to five months during which Aggarwal went out of his way to help him tide over his immediate financial needs. He was one of those who had lent Mohan money for the venture and knew that the money would not come back. Mohan recalled how Aggarwal still continued to help him financially until he found a job. Another friend, Chandra Sekaran, pitched in half his salary to keep Mohan going.

“It is no surprise that both Vijay and Chandra are in leadership positions in what they do today [Aggarwal was the managing director of H&R Johnson India Limited and on the board of some of India’s leading companies, and Chandra was a senior vice-president at Reliance Equities]. They are good people. I knew all I had to do, going forward, was to be a good human being. And then success would just follow.”

Of course, Mohan realized that his friends could not sustain him endlessly and that he had to find something quickly to rebuild his life. And as in reincarnation theory, the death of the store gave birth to something bigger: a great relationship with a good friend and mentor, Babu.

When the store was facing financial difficulties, Mohan had been forced to explore different sources of revenue to keep his business alive. He started renting Eersha for movie shoots. These shoots brought Mohan in touch with Babu, the leading producer and exhibitor of Telugu<sup>2</sup> movies based in Hyderabad. Mohan and Babu quickly became close friends and would spend hours discussing script ideas, market research, etc. When Eersha shut down in 1997, Babu encouraged Mohan to write a movie script. His first script was called *Cyclone*, about a family that reunites after many years. Babu soon offered Mohan a job as a consultant to streamline his business processes for the studio and the production businesses. This was when Mohan’s tryst with the film industry began.

“Sometimes you don’t choose a line of business, it chooses you. When we graduate from management schools, we think we’ve decided which sector we want to work in. It’s not important what we choose; it’s where we find our success. Failure taught me to go with the flow. And let destiny choose the business for me.”

The movie business in India was characterized by a lack of professionally educated people at the operations level; for most accountants, managers or executives, the movie business was the last place they would look for a job. The other characteristic was the culture of the business — it was quite a confrontational environment, very unlike a corporate setting! On Mohan’s first day on the job, there was a bomb blast at a film opening near the studio. Over the next two years, he was completely transformed, from a soft-spoken, consensus-seeking, non-confrontational individual to one who showed leadership, decision-making skills and the ability to deal with tough situations. He also gained an insight into the functioning of the film industry, from the financial side involving fundraising, to the creative one involving scriptwriters, directors and actors, to the operational one involving shooting locations, equipment, technicians, etc. The most important lesson Babu taught him was, “If you don’t know something, ask. If I don’t know the answer, I even ask my competitor. But I always ask till I find the answer.”

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<sup>2</sup> Telugu was the third most spoken language in India, after Hindi and Bengali. There were approximately 80 million Telugu speakers, of which 74 million were in the southern Indian state of Andhra Pradesh, where it was the official language. The Telugu movie industry was popularly referred to as Tollywood (the Hindi one, based in Mumbai, was called Bollywood).

Mohan's wife Sheila and their first-born child were living at the time in Mumbai, where Sheila was working. Mohan told Babu that he wanted to relocate and moved to Mumbai in 1999 to work with United Television (UTV). During the recruitment process, UTV rang up Babu for a reference and was told, "Hire him. He is CEO material." He started in UTV's television division, and was appointed its head within four months. Within eighteen months, Mohan had grown the business to INR220 million in revenues from about INR40 million when he took it on. By the time he left, UTV had about eight daily programs on air and was the only production house providing content to almost all channels, from CNN to ZEE TV. "UTV showed me how you can be an entrepreneur within an organization. And for the first time, I realized the power of a dream. The sky was the limit for Ronnie [Screwvala, founder and CEO of UTV]. I lost all my fears and conservatism while working with UTV. They were replaced with ambition and confidence."

In 2001, Mohan came back to Hyderabad to work with Babu, this time as an executive producer on some movie projects. The idea was for Mohan to gain some experience in making movies before he launched his own production house. But things worked out differently. There was a slowdown in the business in 2003. Mohan faced a dilemma. He could go back to Mumbai (Screwvala had offered him the option of going back to UTV) or stay in Hyderabad and start a production house. He rejected both options and instead started to work with a new friend, Ganga Raju, as the CEO of Just Yellow Media Private Limited. The company had limited resources and Mohan was reminded of his experience with Eersha and how stressful finances could be for a start-up. He managed to arrange some funding for the business but left in early 2005 when the business was unable to scale up.

In mid-2005, Mohan received an offer from iLabs, a private equity fund being launched by an erstwhile software tycoon, Srini Raju. Mohan had been interacting with Raju for three years and had been providing him with advice on some media investments that iLabs had made. "Many of my contemporaries were shocked when they realized I was joining a PE Fund. I guess they were wondering how I found my way into what was then the hottest sector in financial markets! All I can say is, failure taught me how to survive. Each and every opportunity that came my way was neither luck nor chance. It was building relationships over a 2-3 year time frame and then waiting for the call."

What started as consulting work to help iLabs draft a pre-placement memorandum turned into a longer-term relationship as an investment director for iLabs's media and non-media investments. From fund raising to investments to disinvestments to mergers and aborted mergers to interim CEO roles in two organizations, Mohan was getting a lifetime's experience crammed into a few months. The toughest assignment was an aborted merger between two mid-sized entities in the information technology space. An outsider to the IT world, Mohan had to rely on his negotiation and team-building skills to work through the situation as the companies and people were parting ways.

"It was in this phase that I realized that you need not be smarter or more intelligent to be big. You just have to be at the right place at the right time to grab the opportunity. And that's when I knew it was time to strike out on my own again."

Since 2006, he had also been helping Dinesh Kumar, an old friend from his stock market days and a businessman in the jewelry trade, to invest in the stock market and in real estate. Mohan was operating on a carry structure<sup>3</sup> and had built up some capital. By the end of 2007, he had accumulated a reasonable net

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<sup>3</sup> Carry is a percentage of the profits the firm makes. Carry is the quest of venture capital (VC). Typically, the general partners receive a combined 20 per cent of the profit from investing. For instance, if a firm receives \$100 million in capital for its fund, and over 10 years returns \$400 million, the profit was \$300 million. The investors, or limited partners, receive 80 per cent or \$240 million, and the general partners split 20 per cent or \$60 million among themselves. Some premier VC firms have reportedly raised carry to 30 per cent. Source: [www.sarta.org/go/sarta/resources/venture-capital/vc-glossary](http://www.sarta.org/go/sarta/resources/venture-capital/vc-glossary), accessed September 2008.

worth from his investments — thanks partly to the booming Indian stock and real estate markets — and from wisely investing savings from his job. Mohan and Kumar had incorporated a company by the name of Art Beat Capital P. Limited, with the intention of investing in art.

Mohan then approached his principals in iLabs, Raju and Sandeep Reddy, to let them know he wanted to start on his own. He had a sense of déjà vu, and almost felt like he was back in his stock-broking days in the early nineties. Deep down, he knew the market was volatile, assets were overpriced, good deals were overpriced and the under-priced ones were not worth pursuing! His principals agreed to give him a break and that was how Mohan decided to make a movie. He left iLabs in the middle of 2007.

## THE FILM INDUSTRY

In 2008, India had the world's biggest movie industry in terms of the number of movies produced (around 800 annually). It had become in recent years an attractive sector for foreign investment by corporate entertainment companies. The market size of INR68 billion in 2008 was expected to more than double to INR150 billion by 2010. Though risks were high on a per-movie basis, they could be diversified across a number of films. However, the domestic filmmaking industry, despite its prolific output, still had some way to go in terms of professionalizing.

Tollywood, the Telugu film industry, was one of the most profitable and creative in India and accounted for the second largest number of movies produced per year. Apart from about 100 original scripts, another 50 films were adapted from regional movies or dubbed from films in other languages. It was also very competitive owing to the lucrative international and large domestic markets. The industry had evolved over a period of 50 years. Prior to 2002, it was producer-centric. However, in more recent times, the directors had established themselves in the industry with some big blockbusters. This, coupled with the increase in funding options, had diminished the importance of producers and increased the power of directors.

Producers, directors and scriptwriters along with actors were the primary drivers of movie production in the industry. The script played a very important role in the inception of any movie project. Once it was finalized, the producer along with the director took the project forward by committing resources — both money and people.

## TIME FOR A MOVIE

It was 2007. At last, Mohan had the money to make a movie. While there were a few other options (see Exhibit 1) for investment, he decided to go with self-financing. After the bitter experience of Eersha, he did not want to take on any debt. He had the relevant experience too. But it took Mohan a lot of nudging from his wife to finally set off on his own. He realized that, as time passed, the stakes involved for him to produce a movie on his own would only increase and his risk appetite would decrease. "I will never forget what Sheila told me that night," Mohan recollected. "You pursued money in the past four years just to make a movie. Now that you have the money, why are you calling it a risky business?"

To start with, Mohan decided to use his existing firm, Art Beat Capital P. Limited, as the movie production house, instead of floating another company. He was not sure how the movie would fare and whether he wanted to be in the movie business in the long term. Art Beat Capital P. Limited meanwhile had invested not just in art but also in some venture capital opportunities.

Mohan formed a core advisory team, all like-minded media professionals and close friends, to set up the project. They were people he had met while working at Suresh Babu Productions, UTV and iLabs. It had been a while since he was in the movie business, and this core team became the sounding board for every decision Mohan took, even those he did not think were right, but which the team thought were right. “The biggest difference in me now, versus 17 years ago, when I first turned entrepreneur is that I have respect for others’ opinions. I am no longer egoistic, I seek the opinions of others, I am more mature and know how to get the best out of every individual. I now know that in this journey, the movie is bigger than any individual, including me!”

## DEVELOPING THE MOVIE

In hindsight, of all the decisions to be made, the one about setting off to make a movie was perhaps the easiest. Mohan now faced a number of critical decisions including the choice of script, director and cast, all of which would determine the investment he would make in his movie.

### Genre

Mohan began by first zeroing in on the film genre. While the Telugu film industry had representation across genres such as action, adventure, comedy, crime and gangster, drama, horror and science fiction, the structure and dynamics of the industry called for a different classification altogether. Some genres were similar to other genres all over the world but some had no parallel in Hollywood. These genres based on audiences were young/teens, family dramas, action-oriented, young adult and mature adult.

The most popular genres were action, romance, comedy, and drama Mohan had noticed the increasing popularity of clean comedy films in Bollywood (the Hindi film industry). Even though comedy was an established genre in Telugu films, the movies currently made under this category were mostly slapstick comedies. Mohan decided to make a comedy film that could be watched and enjoyed by the entire family. A clean family entertainer was what Mohan called it. “For me, vulgarity was ruled out. I come from a large family, and I have two young children. I didn’t want anyone to feel offended with the movie, especially my near and dear ones.”

### Writer and Director

As a producer, it was easy to pick the genre. But the men to deliver were the script writer and director. Unlike in Hollywood, where these two roles were distinct and clearly demarcated, there was considerable overlap between them in India. At Suresh Productions, Mohan had met many writers and directors. Among them was one bright graduate from the York University in Canada, Mohana Krishna Indraganti. In 2001, when both were young, raw and ready to take on the world with a new kind of cinema, they had spent more than a year discussing scripts. Mohan had played script doctor as Indraganti churned out exciting stuff in the genres of comedy, action and thrillers, which never got made. Now, seven years later, Mohan had moved on, and so had Indraganti. Indraganti had won a national award but most recently had delivered a commercial movie called *Mayabazar*, which had an average run at the box office. When Mohan took his advisory team to watch the movie, they were all disappointed. Mohan was shell-shocked but he also saw it as an opportunity.

Mohan had his own theories on how to make this choice, based on his experience in this industry. “I didn’t want to work with a director who had a big hit in the immediate past. It was my theory that 90 per cent of the time, the next movie would be a dud. I had all kinds of such crazy theories, mostly based on following the trends in the business. I wanted to work in an atmosphere that was non-confrontational. In my career, I saw good scripts destroyed when producers and directors operated as if they were at war with each other. I did not want to make movies this way. In Indraganti, I found the perfect marriage. We shared similar backgrounds, a similar sense of humor and, most importantly, respected each other for what the other brought to the table.”

### The Script

Mohan did not lose any time in calling Indraganti for a meeting. He wanted Indraganti to make a comedy that he had narrated to Mohan a few years ago. But Indraganti wanted Mohan to listen to one of his more recent stories, which he thought was more contemporary and current. The story was adapted from a popular Oscar Wilde play, *The Importance of Being Earnest*. Mohan obliged and listened to the story of *Ashta Chamma* and asked Indraganti for some time to digest it.

“To be honest, my heart was set on the old comedy, Indraganti’s on the new one. I googled for movie adaptations of the Oscar Wilde play and they were not huge commercial successes. I was confused and even more worried. I then made my advisory team listen to both stories and their opinion was clear: go with the new one. And I went with it because the reasons they gave were compelling. The story revolved around a girl’s obsessive love for real-life super star Mahesh Babu. Such a theme would not only excite his huge fan following but also generate curiosity beyond the cities, right down to the towns and villages. The film would be a chick flick, some kind of a first in the industry. And most importantly, it dealt humorously with the aspirations of the rural youth for a better life in the city. The other script was a simple comedy, more like the 80s comedies of Jhandyala [a renowned comedy director in the mould of Woody Allen], something which the advisory team was not sure would be accepted by today’s younger audiences. I still want to make that movie someday!”

It took Indraganti about 17 drafts and nine months to lock in the script with Mohan. What started as a 160-minute movie with multiple characters and sub-story tracks was trimmed down to a 130-minute movie with just one main story, revolving around just four characters. And that trimming took place during the 16th draft! This was the first tough choice that Mohan and Indraganti made. It was also non-conformist. All comedies typically ran with several sub-plots, with each having a number of well-known character actors to keep the momentum going. And comedies were also marketed to audiences and buyers based on these actors’ profiles. Removing these tracks meant that there could no longer be any comedians in the movie, except for the central characters of the plot. This was a huge risk to take, business wise. “Mohana Krishna was fine without the sub-tracks, and I also thought it was much fresher. The only issue was that it was a departure from the norm for comedies. We wouldn’t be having any comedians to “pad” the movie. In terms of budgets, however, this meant a saving of at least INR 3.5-4 million in salaries and additional footage. So it actually made the movie less risky. I did a quick estimate and felt that I would not gain incremental revenue by keeping them. The movie would still get the same rates from buyers.”

This big decision triggered a series of other decisions that effectively resulted in Mohan’s team re-writing several commonly accepted practices of the industry.

## The Cast

With a tight script and few characters to cast, Mohan's confidence was soaring and so was Indraganti's. Money saved at the script stage could now be wisely spent on the most crucial area for a small movie, a good opening. A good opening was defined as one where the movie theatres would be at least 70 per cent full on the Friday a movie opened. And the biggest factor for an opening was the star rating of its cast.

Though the movie was a family entertainer, the storyline leaned towards the female lead. Mohan's first option was to cast a well-established star for this role and build the rest of the cast around her. He prepared a budget plan with this in mind and approached the leading stars of Tollywood. All of them were excited with the role, but the dates they could offer were too far into the future. This was when the team had to go back to the drawing board.

If the investment in a star was only to ensure a good opening, Mohan argued, why not invest that money in marketing instead? After all, he was a business school graduate and that was his edge over the other producers. He felt that he and his executive producer Prasad, who had headed operations at Visage Images (South Asian associate of Getty Images) earlier, had a good enough budget and skills to pull off a marketing coup. A big star would be more expensive by at least INR5 million and that money could instead be spent on marketing to promote the movie. It was like a probability tree, 60 per cent chance to recover the money if you went with a big star and 40 per cent without a big star. That was when he remembered what the doyen of the Telugu film industry, Dr. Rama Naidu, had said in 1997: "Whatever you do in this business, there is a 50:50 chance of success. All your education won't help unless you have risk-taking ability."

A quick call to Indraganti and they took the decision, "Let's move ahead with a new cast or with relatively new entrants." Screen tests were conducted, and a new actor, Srinivas, was picked from the United States to play one of the pivotal roles. However, the main leads were still not sorted out. Swati and Nani, who were playing second leads, were approached about their willingness to move into the main leads. Nani accepted immediately. But Swati, despite knowing that playing the main lead would catapult her into the mainstream business, did not seem to be mentally prepared. Geetha, a senior member of Mohan's team, stepped in, had a heart-to-heart talk with Swati and convinced her to go with it. As a result, after many years, the Telugu film industry would see an all-Telugu cast in a movie (most heroines in recent years had been cast from Mumbai for their glamour). "It all looks like good business sense in hindsight. But I should share an insight about how an emotional issue triggers rational thinking. In a casual conversation with Swati when she was cast for the second lead and her price was being negotiated, she remarked, 'Of course, you will pay me less. I am a Telugu actress, not a Mumbai actress, remember?' And that remark stayed in my mind. When we were looking for the main lead, I kept wondering, 'Why not go with Swati? She is popular [she was earlier a TV anchor], is a great performer, and the role really suits her.' For me, business and entrepreneurship are about that emotional streak, backed by good analytical reasoning. Not analytics, followed by emotional justification."

## Production Process

With a detailed plan in hand, it was time to execute. A day-to-day implementation plan was charted out and the roles were designated. Prasad, a colleague at Art Beat Capital, was assigned the responsibility of production. Mohan's quest for quality was evident. Not a single day's shoot was done without an execution plan beforehand. There were cases when the plan was not available, and Mohan preferred a postponement to execution without a plan. This was evident when the shooting of one song was postponed until the

director presented the screenplay (execution plan). Mohan never let the quality suffer and the planning helped to make quality possible at a lower cost.

While the locations for the shoot were planned well in advance, cost optimization measures, such as the usage of his and his friends' homes for indoor shoots, borrowing his friends' cars, doing barter deals with locations in exchange for credits, and incorporating glib ad lines in the script to entice sponsors, were used to ensure that the film had a fresh feel at little cost.

Yet another trend was to involve brand partners for location support. Barista, a global coffee outlet, was roped in as a brand partner. Mohan's contacts helped, as he could bring down the rent from INR 30,000 per hour to the same price for the whole day. While Barista provided its outlet for shooting, it received publicity at no extra cost (see Exhibit 2). Mohan always felt that when making a small movie you had to be street smart. Deals like these let the movie finish well within budget.

One more crucial factor was what Mohan learnt at Suresh Productions: to make a list of all possible circumstances that could hinder the shooting process. This exercise helped in circumventing most of the problems beforehand. And finally, Mohan's directive to Prasad was clear: keep the director and the actors happy, and let them enjoy the shooting process. "An upset creative soul can cost you more than the lunch you did not buy or the accommodation you refused!"

"When a producer is also creatively inclined, as I was, it is important to give the director enough space to show his art. He has to be in the right frame of mind to get the best out of his actors and technicians. After all, films are a director's medium. I was very clear that I would not go to the locations for the shooting. I deputed Prasad as the executive producer, to oversee day-to-day operations, while I just sat back in the office, relaxed, and thought of how to promote the movie. This way, Indraganti had his full freedom, Prasad ably handled the process and the marketing work happened in the background. We are proud that we never had a hitch during shooting."

Mohan started filming in November 2007 and completed shooting in 43 shooting days spread over six months, followed by another three months for post-production work. The budget estimate of INR15 million proved realistic, with an overrun of only INR one million. A Telugu comedy typically cost INR25 million, so the team had done well.

### **First Copy and Publicity**

The movie reached its final edit. Indraganti and Mohan ran it by Babu and all he remarked was, "I can't believe that these kids have performed so well. The challenge now is — how will you communicate to the audiences that this movie deserves to be seen?"

Word of mouth publicity plays the most important role in the promotion of a small movie. Mohan went back to his advisory team. "Show the movie to as many people as possible before release, that's the only way out," was the unanimous decision.

With a number of radio and television stations in the market, it was important to know them, but even more important to excite them. The team took a daring decision. They screened the rough edit of the movie to a set of radio jockeys (RJs) in the BIG FM station, something never done before and fraught with risks. It could have backfired if the RJs had not liked it. But it proved to be a risk worth taking. The RJs loved it and BIG started promoting the movie.

The next decision was to test-screen the movie to audiences of strangers. In June 2008, Mohan previewed the movie to a select target audience. He had two previews, one for people working in software firms and the other for families. Each preview was for approximately 50 people and the key was to have a sample multiplex audience,<sup>4</sup> which was the prime segment for his movie. This had been attempted earlier but was not common practice in Tollywood, and Mohan knew how important it was to shape the product depending on the customers' choices. Feedback was received from these previews and changes were made accordingly. "Test screening is valuable and you get some key inputs. However, it is very important to select the right audience."

To create a special buzz, Fx Labs was commissioned to develop an online game (see Exhibit 3). This was because Ashta Chamma was the name of a traditional board game, similar to Ludo, played in the southern Indian state of Andhra Pradesh (of which Hyderabad is the capital). With a title that was named after a game, it seemed apt to develop an online game around it. However, there was a cost implication; hence, this was something that typically only large-budget films did. But Mohan was serious about spending what he had saved during scripting and casting. The online game was hosted on idlebrain.com, the most frequently visited website for film news. The game gained momentum and attracted as many as 100,000 unique players before the movie was released.

Parallel to all this activity, Mohan rejected the first photo shoot that was executed by Prasad. It took a while for Prasad to accept why it was rejected. Mohan's point was, "Is the visual telling the story? When I look at the poster, am I saying, 'Hey, it seems to be an interesting movie. Let me check it out.'" The trailers were taking time, though at least four or five editors were used; even Indraganti cut a trailer. At this point, so close to the end of the process, things just did not seem to be working and time was running out. The tension was mounting for everyone involved. The release date of September 5, 2008, was fixed and every moment was crucial.

"These are the most trying times for a producer. Everyone in the team is on a high, they believe they have made the best movie in the entire world. The hype starts to affect key members and mistakes can slip in, which is why it is so important to have the team rally around and to keep pushing yourself. I used to get calls from actors asking why the release was getting delayed, my own office was thinking that I was being too fussy about publicity, timing, etc. But I was prepared for this moment and I knew I had to lead from the front rather than manage from behind the scenes as I had done until then."

A second photo shoot was quickly executed. This time, there was no posing, and no actor profiles. It was a story-telling image of the protagonist, who is horrified on seeing a tattoo with the name Mahesh on his girlfriend's arm (see Exhibit 4). That remained the key image of the movie that appeared on billboards and other promotional material everywhere. Trailer cutting was given to the best in the business. Contracts for outdoor billboard and television promotions rapidly fell into place. This was when Mohan's network of friends, colleagues and other well-wishers, who knew and believed in him, kicked in. His colleagues, such as Anil Mishra of Integrid Media, Ravi Prakash of TV 9, and the CEOs of the portfolio companies of iLabs, all took it upon themselves to promote the movie as if it were their own.

"Movie marketing is even more challenging than FMCG product marketing. It is a perishable product, no second chances, no extensive test marketing opportunities and no statistical data to back your campaign. And the campaign has to target a diverse audience at one go! What we did in this case was to do it the

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<sup>4</sup> A multiplex is a movie theatre complex with more than three screens. In India, the mushrooming of multiplexes since the mid-90s had changed the dynamics of the Indian film industry. There had been concerns over high ticket prices at multiplexes, and they had predominantly been restricted to the larger cities, but Indian cinema chains like PVR (Priya Village Roadshow), Inox, and CineMax were changing the rules of exhibition in the world's largest film industry.

Hollywood way — one key visual to drive the point home, one strong line that sums up the movie, one key promo to hammer the point home to television audiences. What always works is to be true to the movie you are making. This way, the audience is with you and you will find the target audience in that process.”

The total marketing expenses for the movie amounted to INR3 million, much higher than the INR1 million that would typically be spent for a comedy.

### **Would the Movie Recover its Money?**

In terms of a return on his investment, the only offer Mohan had on the table at the time was INR8 million for the satellite rights in perpetuity. He was told that he should be satisfied with this offer, as the going rate for Telugu comedies in 2008 was INR7.5 million for satellite and INR750,000 for overseas rights. He did not receive offers for any other rights, theatrical, overseas, DVD or even music. There were talks for overseas rights, driven by the campaign on idlebrain.com, but the offers were low.

Mohan wanted the movie to command a fair price. He wanted INR12.5 million for satellite and INR3.5 million for overseas rights. This way, he could cover the bulk of his production costs and turn a reasonable profit. Satellite channel CEOs laughed at his expectations and that upset him further. He did not want to sell either, even though Babu had always insisted that it was a good idea to cover your base (i.e. guarantee a minimum income as early as possible) when it came to movie making. But at this point Mohan was not really listening to advice. He tapped into his former boss, Screwvala, who was by this time, among his many roles in the media world, a movie mogul in Mumbai. To Mohan’s surprise, Screwvala gave the same advice as Babu: cover your base, then look for profit.

Screwvala suggested one more thing — call the channel buyers and screen the movie to them. And may the best man win. Mohan screened the movie for a select few channel heads, overseas buyers and industry opinion makers. The screening worked and both deals fell into place, INR12.5 million for satellite rights and INR two million for overseas rights. His unconventional methods also allowed him to sell the audio rights for INR500,000, whereas he had been told that the benchmark for the songs from comedies was INR100,000.

“This was the first time I realized how dirty this business could get. There were accusations that the buyer was a friend of mine, hence he paid that price, there is nothing in the movie, etc. This kind of talk actually pushed me further, just when I was slackening. I now wanted this movie to be one of the biggest box office hits. And the campaign headline was changed to The Biggest Small Movie Ever Made!”

### **The Box Office — Final Frontier for Every Film Maker**

Distributing small-budget movies had always been a problem. Finding sufficient high-quality theatres was a daunting task for a producer. While there were several different options for distribution (see Exhibit 5), small movies did not have many options. The most common path was to partner with large distribution agencies and Mohan did just that. Mohan’s contact, Babu, owned a big distribution company (Suresh Distributions). However, given the low budget and lack of big stars, it was difficult for Mohan to convince the managers at Suresh Distributions. One manager rubbished the movie pre-release and, once this talk emerged, it became even more difficult to rally support for the movie. Mohan did think of meeting other distribution houses, but finally decided against it. With his base costs covered, it was only through distributing the movie that he could get a real feel for how the theatre trade worked.

The date of release was fixed for September 5, as there was no major release for the next four weeks. It was the fasting season for Ramzan (Ramadan festival), and also examination time in Indian schools. Good theatres were available, and all that mattered was whether the managers and exhibitors were convinced about the movie run.

In the last week prior to release, Mohan realized that the movie was going to have a small release. Branded as a multiplex movie, the distributors booked a few shows in the multiplexes and a few small screens across the state. The initial plan was to go with seven or eight prints and increase them if the movie picked up. This was a reasonable strategy for a small movie, but Mohan believed that the hype generated for the movie demanded more screens than what had been blocked.

In a typical large-screen theatre in Andhra Pradesh, there were three categories of tickets. The highest category had around 60 per cent of the seats, the middle category had 20 per cent and the lowest category had 20 per cent. The lowest category was priced at a steep discount as per government regulations to ensure affordable entertainment to the poorer sections of society. The term “multiplex movie” was used for movies that were perceived to be catering only to the higher-income categories in terms of content. Given that most of the screens were used on a rental basis (i.e. fixed payment to the owner), distributors preferred not to risk bigger screens for small-budget movies. Mohan was sure the movie was being wrongly perceived as a “multiplex movie.” The content, he strongly felt, cut across all income categories of audiences. But who would believe him before its release?

Mohan’s faith in his product was absolute. He opted to have open previews for general audiences at Visakhapatnam and Vijayawada, the second and third largest cities in Andhra Pradesh. This was a huge risk — a negative reception could mean a dead end. But Mohan was confident and thought he had no other way to increase the number of openings for his movie. Fortunately, the audiences reacted positively and good reviews flooded in. The risk had paid off: Suresh Distributions changed its strategy for the first week and planned for 19 prints to be released in 22 theatres all over Andhra Pradesh. Equally important was that big single screens like Satyam Cinemas and Brahmaramba Theatre in Hyderabad were also slotted. On September 4, Mohan and Prasad and the entire team went to each and every theatre to check that the banners and the display cards were in place, and that local publicity was being done. If these screens did not fill up, Mohan knew he was doomed. He went to sleep that night after sending a text message to his director, actors, and executive producer — “It is no longer about what opening the movie gets. It is only about the joy we are giving the audience through our movie. It is no longer about the money we make. It is only about how much pride we will take home when they clap.”

“Being confident is one thing. But being over-confident can destroy you. I was never worried about the audience reactions. I knew they would thoroughly enjoy the movie. But would I get them in? Each show is about 900 people in a large-screen theatre, which means I needed 10,000 people to watch the movie over the first weekend in one single theatre. Suddenly, the gravity of the situation hit me. I couldn’t force so many people into the theatre, they had to come on their own! That night, it poured like crazy. And the only call I made was to Babu, who said, ‘Rain is always lucky, Ram. Tomorrow the clouds will clear up.’ And that’s exactly what happened!”

It was now time to experience the results of eighteen months of hard work. Mohan’s long-awaited dream of making a good movie was fulfilled, but the question about its commercial success remained. He and Indraganti had decided that they would move on to the next theatre once the first laughs came. Would they come in the 10th minute as Mohan had anticipated, even earlier, or much later? Mohan waited . . . .

## Exhibit 1

### Finance Options for Movies in India

The financing of movies was a tricky business. The first movie for a producer was considered a high-risk investment with unpredictable returns. Banks and financial institutions looked for a track record and some form of collateral, and thus the guarantee of recovering their money prior to release. The other options were private financiers who specialized in this sector, distribution advances from leading distributors, advances from other rights buyers (like television rights, home video rights), equity distribution among multiple partners, financing from movie infrastructure studios, and self-financing.

Unlike the above set of investors, who infused debt, external investors brought in capital and had an equity stake in the project. Typical external investors included NRIs (Non Resident Indians), politicians or real estate businesspersons. A comparison of the different sources of finance is given below.

	<b>Sources</b>	<b>Ownership</b>	<b>Lending Rate</b>	<b>Collateral</b>	<b>Priority</b>
<b>Debt</b>	Banks	Producer	2-3% above bank lending rate	Regular collateral	To be settled before release
	Private financiers	Producer	24-36% per annum	Movie itself, collateral	To be settled before release
	Infrastructure players	Producer	0% and credit facilities	Movie itself, collateral	To be settled before release
<b>Equity</b>	External investors	Investor/producer	n/a	n/a	Lowest
	Self-finance	Producer	n/a	n/a	Lowest
<b>Advances</b>	Distribution advances	Producer/distributor	Depends on nature of advance — interest bearing, refundable, non-refundable	Movie distribution rights	As advance towards rights
	Other rights advances	Producer/buyer	0%	Specific rights	Will acquire that particular right

*Source: Authors' estimates based on industry interviews.*

Exhibit 2

Barista in the Movie



Source: [www.idlebrain.com](http://www.idlebrain.com), accessed September 2008.

### Exhibit 3

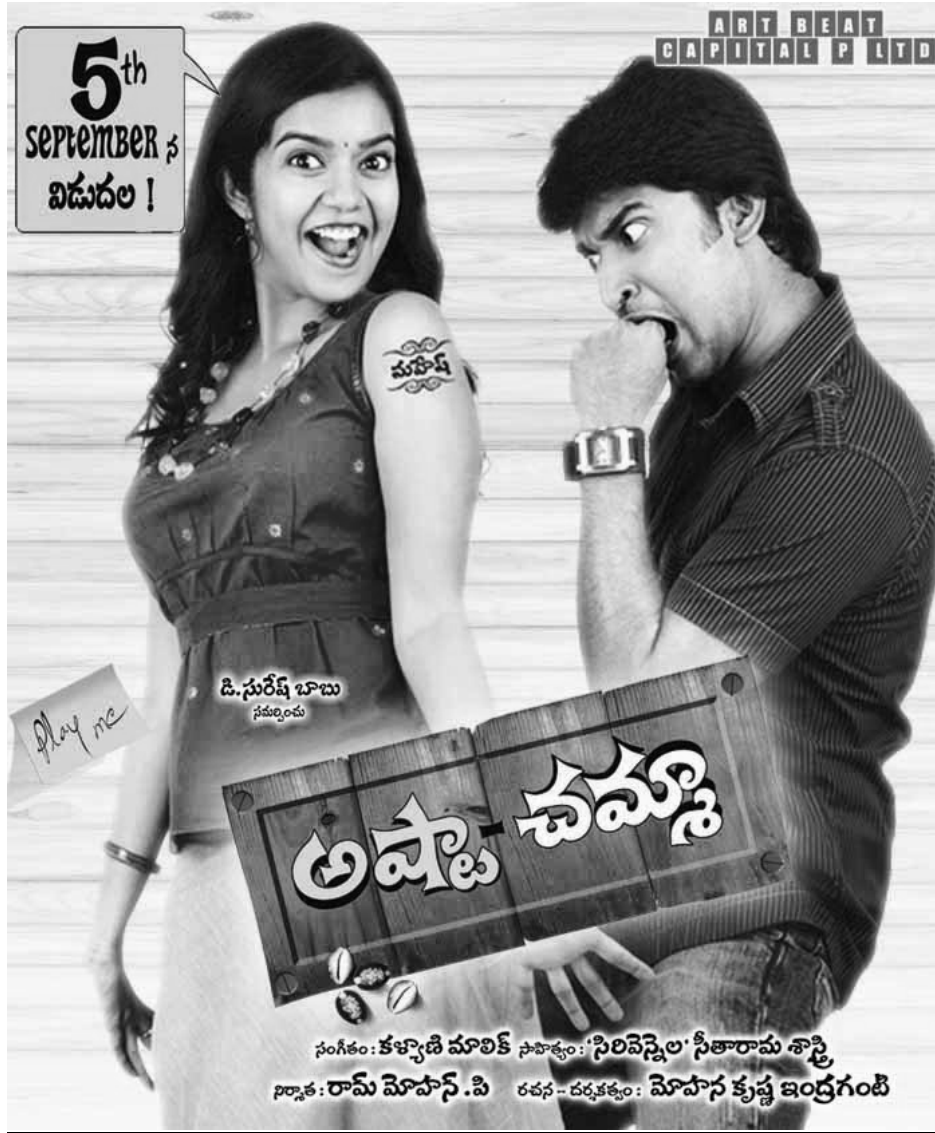
### Online Game



Source: [www.idlebrain.com](http://www.idlebrain.com), accessed September 2008.

Exhibit 4

Promotion Poster



Source: www.idlebrain.com, accessed September 2008.

## Exhibit 5

### Distribution Practices (Theatre)

Telugu cinema had three key players in the distribution chain: the producer, the distributors and the exhibitors (theatre owners). The value proposition of each of these players depended on the contract, which could be in any one of the following three forms.

#### Outright Sale

In this model of contract, the producer showed a premiere of the movie to all the interested distributors. Once the distributors watched the movie, they bid for it and if the producer liked the price then the theatrical rights for the exhibition of this movie were given to that distributor. The distributor now owned the rights and picked his set of exhibitors to screen the movie. The exhibitors got a rent for screening that movie which was approximately 26 per cent of the full house revenues. The producer had no further financial interest in this model once the rights were sold. This kind of practice was more common with high-budget movies as there were many interested distributors. The smaller movies, owing to their high risk, did not traditionally follow the outright sale model. However, there were exceptions, such as when a pre-release buzz or an inclusion of a star created interest in the project and helped in achieving a good price.

#### Own Release

Contrary to the outright sale, the producer agreed to pay rent to all the exhibitors and got the entire revenue from the theatres. The distributor acted as an intermediary and coordinated the transactions between the two parties (producer and exhibitors), and in return got a small stake (five per cent) of the revenues. The producer opted for this when he did not get a satisfactory price from the market.

#### Minimum Guarantee

A third mode of operation was the minimum guarantee, in which the producer was assured a base amount irrespective of the revenues. However, if the revenues went beyond this level he/she got a share of the revenues above this base amount, typically between 25 and 50 per cent. The distributor accepted a deal like this in cases where the prospects of the project were not really sound but worth considering. The exhibitor was always interested only in his rent.

*Source: Authors' estimates based on industry interviews.*