

CHAPTER VI : MINISTRY OF INFORMATION AND BROADCASTING

6.1 Non-recovery of rental dues

Rental charges amounting to ₹ 60.73 lakh were not recovered by the Films Division, Mumbai from discontinued and closed down exhibitors.

Section 12(4) of the Cinematograph Act, 1952, provides that the Central Government may, from time to time, issue directions to licensees generally or to any licensee in particular for the purpose of regulating the exhibition of any film or class of films, so that scientific films, films intended for educational purposes, films dealing with news and current events, documentary films or indigenous films secure an adequate opportunity of being exhibited. Where any such directions have been issued, those directions would be deemed to be additional conditions and restrictions, subject to which the licences had been granted.

The Cinematograph Act, 1952 made the screening of documentary films compulsory throughout the country. The scheme of compulsory exhibition of approved films by cinema houses implied an obligation on the part of the Government to keep the cinema houses supplied with such approved films at regular intervals. The Films Division was the national body which released documentaries, news-based films or animation films every Friday for the theatres spread across the country, in 15 national languages.

The exhibitors i.e. the cinema houses were to pay rental charges to the Films Division calculated on a fixed percentage of their net collections of the theatre. For this purpose, the Films Division and the exhibitors were to enter into agreements for supply of films for exhibition. The following were the terms and conditions of the agreement:

- The exhibitors would pay rental charges at the rate of one *per cent* of their net weekly collections to the distributors against the supply of the films.
- At any time, during the continuance of the agreement, if the exhibitors failed to pay the rental in time, the distributor would stop the supply of films to the defaulters, keep the films ready with them at the cost, risk and responsibility of the exhibitor and the exhibitor would be liable to

pay all the damages sustained by the distributor by keeping the films so ready, including the rentals.

- If the dues payable by an exhibitor to a distributor exceeded two thirds of the security deposits collected, the distributor would have to terminate the agreement and discontinue the supply of films to the exhibitor. The exhibitor would, if demanded by the distributor, in exercise of his absolute discretion, pay to the distributor, on default on punctual payment of rentals by the exhibitor to the distributor, interest on all arrears of rentals at the rate of eight *per cent* per annum, computed from the date of default of payment of such rentals up to the dates of actual payment.

Audit scrutiny of the records of the Films Division, Mumbai revealed that during the period June 2000 to July 2009, 20 and 15 theatres were discontinued¹ and closed down² respectively in the States of Maharashtra and Gujarat. The total amount outstanding in respect of these 35 exhibitors on account of rental charges since 1996 was ₹ 60.73 lakh (**Annex-XVII**). Audit noticed that the recovery of rentals was not monitored by the Films Division, which resulted in the accumulation of these dues. The Films Division did not invoke the enabling provisions of the agreements with the exhibitors that once the dues payable exceeded the security deposit collected, the agreement would be terminated and the supply of films discontinued. The exhibitors were allowed to operate the theatres without payment of rent, which resulted in accumulation of arrears of revenue amounting to ₹ 60.73 lakh.

The matter was brought (September 2011) to the notice of the Ministry, which confirmed (November 2011) the facts and figures and stated that the theatres had closed down /been discontinued without intimating the Films Division and the concerned branch offices of the Films Division. Although the Films Division had been following up with the Managements of these theatres for recovering the dues, it had not been possible to recover the same. The Ministry further stated that the District Magistrates of the concerned districts, who were the licensing authorities, had been requested (January 2012) not to renew the licenses of these theatres and to recover the pending dues of the Films Division. The matter regarding recovery of dues was being followed up vigorously with the district authorities.

¹ Discontinued exhibitors – Exhibitors who discontinued exhibiting films distributed by the Films Division.

² Closed down exhibitors – Exhibitors who closed down their theatres due to loss etc.

The reply does not bring out the reasons for not taking timely action against the defaulting theatres. The fact remains that the recoveries were not made by the Films Division in accordance with the agreement. The theatres were discontinued, or had closed down exhibition of films on much later dates.

Thus, the failure of the Films Division to properly monitor the recovery of rental charges led to non-recovery of revenue amounting to ₹ 60.73 lakh.