

A Case Study on PVR Cinema Pvt. Ltd and the Covid'19 Crisis

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ABSTRACT

PVR Cinemas Private Limited was the pioneer in the multiplex chain in the country. From its decent start it managed to establish 845 screens across India and Sri Lanka. With every passing year the diversified and added on to their value bouquet to the moviegoers. Everything seemed going away in the magical dream run. But Covid-19 changed everything for the cinema industry in India. Due to the lock down the cinema houses were closed for a very long period of time and the people were apprehensive to go to the cinema halls once the lockdown was over. how would PVR Cinemas face this revenue crunch along with looking for different product lines and restoring the cinema business in which they are the leaders in the country.

Keywords: Cinemas, India, Covid'19, Crisis, Options, Tactics

1. Introduction

History of PVR Cinemas

PVR Cinemas founded in the year 1995 after an agreement between Priya exhibitors Private Limited and village Roadshow Limited with a partnership agreement. The commercial operations for PVR Cinemas started in the year 1997. PVR cinemas was founded by Ajay Bijli who is the chairman also. The largest cinema chain in the country had a humble beginning as Priya Cinema in South Delhi which was bought by Ajay Bijli's father in the 1978. Ajay Bijli took over the operations of Priya Cinema in the year 1988 and the enormous success of it led to the foundation of PVR Cinema. The concept of PVR Cinema was to change the entire movie watching experience from the basic cinema halls for the viewers of the movies. For the first time in the country clean air condition ed cinema halls were introduced in the plush locations which made movie going experience awesome.

2. The Growth

The first cinema of the group was started in Saket New Delhi in June 1997 which also pioneered the computerized ticket selling process. The company soon became very popular with the audience and grew from step to step. In the year 2003 the company was able to garner rupees 380 million venture capital fund by India Advantage Fund-I managed by ICICI Venture Funds Management Company Ltd. With each passing year the company expanded its chain to the nook and corner of the country and even took it to small cities like Indore, Jaipur etc. In the year 2006 the company's shares were listed at the stock exchange. The company also started its venture PVR talkies for the smaller cities of the country which offered lower price but enhanced the cinema going experience of people. Gradually the company also started the concept of food courts in the multiplexes. The company also engaged in the distribution the movies along with the production. With the success the company continuously kept renovating the multiplex concept along with innovative food services at the food courts.

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PVR Cinemas also extended its operations to Sri Lanka in the year 2016. By 2020 the company had 845 cinema screens in India and Sri Lanka. The major strengths of the company were that they were pioneers in the field. They had strategically located cinema halls. They also had diversified products along with a premium movie goer experience. They were in a robust financial position and had experienced and the best people in the industry on board as Promoters, Key Managerial Personnel and Senior Team with a proven track record.

3. Revenue Sources

Besides this the company is also engaged in the business of exhibiting distributing movies at the source of revenue are the advertisements, the sale of food and beverages, the gaming zones in the cinema halls. The chain also pioneered the first Multiplex cinema halls in the country. They had a revenue of ₹ 31,187 million (US\$440 million) and a net income of ₹ 1.83 billion (US\$26 million) in the year 2019.

4. The Competition

PVR Cinemas was the pioneer in the field but competition also stepped up in the form of Inox, Cinepolis, and Carnival Cinemas. To keep pace with the competition the company was always innovating with features like kids playhouses which catered to 3-12-year-old kids and concentrated on screening movies of their interests. By 2020 was market leader in the country and was a part of million-dollar revenue share. The company was also facing stiff competition from Over the Top applications and on tap demand platform such as Amazon Prime, Netflix, SonyLiv, Zee5 which were operating premium content to the public. Even the small cinemas in small cities were upgrading and revamping their infrastructure and were charging were little for the tickets as compared to the multiplexes. With the rising premium set fares and the F&B cost the cinema going experience was becoming a very expensive mechanism for the middle-class people of the country.

5. The Crisis

But by January 2020 Covid-19 had spread its way to India there were rumors that the country would be heading for complete lockdown. After the initial Janata curfew, the country went into a complete lockdown from 25th of March 2020. This meant that there would be no revenue for the multiplexes in the country until the government gave permission for opening the cinema halls all over the country. But the lockdown period also had huge cost along with the salaries of the people and the other expenses.

6. The Measures

To meet the crisis the senior management of the company volunteered to take up 50% salary cut and the other people in the organization were given a salary cut of 25%. The FICCI multiplex association of India, which represents the cinema chain has requested the Government of India for temporary relief which include interest free loans exemption of taxes and duties along with certain other reliefs such as waive demand on charges of electricity.

7. The Road Ahead

When the lockdown is over the PVR Cinema of starting multiplexers with the concept of social distancing in mind where one seat will be left vacant between every audience. They also aim of training the staff on proper sanitization measures during the course. They also want to revamp the box office or the ticket window as it is popularly known for avoiding crowding. But how to convince the cinema goers that watching movie in multiplexes is going to be a safe experience for them is a big challenge. There is also an issue that people will not be very comfortable to going to cinema halls for very long period of time and would be concentrating on other entertainment medium like Netflix, Amazon Prime etc. The company even came successful out of the huge IPL popularity which threatened the revenues of multiplexes when the matches were conducted. The chain believes that cinema is an integral part of the people in the country and that human beings are social creatures they would want to go to multiplexes once the lockdown is over.

Although the chain has suffered major losses in the quarter it aims to fight back and regain its market share. The company is also thinking of getting into drive in theatres which can devote hygienic and meet the demands cinema goers post lockdown after Covid-19. But there are two such theaters in the country but would include a lot of capital expenditure and time.

The company is also thinking of entering into the F & B business which aims at catering to the urban niche market which would be available as take away and also on the various E-Commerce websites. They have deferred the major capital expenditure in order to control the cost of the company. But it would be a long time before the cinema going experience would be again a normal thing in the society. What should Ajay Bijli do to continue his two decade long magical run in the. Given a superb managerial, leadership and strategic skills and the vision he will definitely cross this challenge also but how.

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