

PVR & INOX Merger and the OTT Threat

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Abstract. COVID changed the landscape of many industries and normal business patterns. PVR and INOX were two giants in the Indian media industry. During COVID the declining number of footfalls in theatres and the increase in OTT platform subscribers threw a significant challenge to the media industry. Media firms had to revive their businesses by changing normal practices. The merger of two giants was an extremely out of the box decision and the post-merger financial results proved that the decision was right. This case focuses on how upper level cinema experiences (e.g. 3D, 4DX, recliner seats, sofas, etc.), thus enabling high-value transactions in theatres and driving profitability, could compete with increasing subscriber bases for various OTT platforms. It highlights the need for changing the age old theatre system in India to better suit modern consumers and move towards more technology rich content provision.

Keywords: multiplex, cinema industry, monopoly, M&A.

1. Introduction

The merger of PVR and Inox, two giants of the Indian cinema industry, promised a dynamic change. This strategic alliance leveraged their collective strengths, their cost-saving synergies and widened the reach to address the challenges posed by OTT platforms post pandemic. Together, they aimed to reshape the cinema landscape for a better future. This case discusses the background profiles, motivation, synergy, CCI monopoly concerns, merger implications, financial status and future scope of this significant development in the Indian multiplex industry. There was a huge challenge during and post COVID for the future of multiplex cinemas due to a drop in footfalls and the emergence of OTT platforms. The merger became effective on February 6, 2023. This case study focuses on the pre and post-merger situation, reasons behind it and challenges that needed to be overcome. The key issue was how OTT platforms were damaging regular single/multiple movie theatres and how the merger could benefit the industry by saving two giant players.

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2. Companies' Background

PVR, INOX, Carnival and Cinapolis were the best known multiplex chains in India. PVR's proposed merger with INOX, which had a total of 800 movie theatres nationwide, was a historic moment in the multiplex industry. The pandemic had inflicted severe setbacks on the multiplex sector, wiping out 80% of India's movie revenues. Consequently, long-time rivals PVR and INOX found common ground amidst this difficult situation.

PVR's dominant presence in the north, west and south of India, complemented by INOX's strength in the west, gave the merged company considerable bargaining power and resilience. However, the success of the merger depended on the company's ability to secure financing without jeopardising its debt-to-equity ratio. In addition, the merger had to be approved by the relevant authorities and stakeholders, which would attract the attention of the Competition Commission of India, given the concerns about the formation of such a large monopoly. The developing story around this merger promises to be exciting as it shapes the future of the Indian film screening industry.

PVR Ltd.: Extensive Reach and Technology

PVR Ltd. stood tall as the largest and most prestigious film exhibition company in India, and its journey of reshaping the cinema industry commenced in 1997. With an impressive network of over 800 screens spread across 170 properties in 69 cities, PVR catered to a wide range of audience preferences. The company's strategic acquisitions of Cinemax in 2012 and DT Cinemas in 2016 played a pivotal role in expanding its footprint and audience reach. PVR proudly boasted serving over 100 million patrons annually.

PVR's commitment to innovation was evident through its adoption of state-of-the-art technologies, including IMAX, 4DX, ECX, and its proprietary P[XL] format. Moreover, PVR seamlessly integrated retail and film, offering a comprehensive entertainment experience through its subsidiaries, namely PVR Cinemas, PVR Leisure, and PVR Pictures.

INOX: Grand Cinematic Experience

INOX, established in 1999, became synonymous with luxury, unparalleled service, and cutting-edge technology in India's cinema landscape. INOX boasted 144 multiplexes in 68 cities, each equipped with advanced cinematic technologies like MX4D Theatre Effects and 270-degree Multi-Projection Technology. INOX's unwavering focus on luxury and comfort was reflected in its diverse formats, including the opulent INSIGNIA for a grand cinematic experience and INOX IMAX for immersive visuals.

INOX's commitment to innovation extended beyond technology, encompassing a diverse range of offerings. From family-centric fun zones like Kiddles to creating an environment for celebrating sports events like the World