



Fair Competition
For Greater Good

COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2014/08/198)

08.12.2014

Notice u/s 6 (2) of the Competition Act, 2002 (“Act”) given by:

- a) Prime Focus Limited (“PFL”); and
- b) Reliance MediaWorks Limited (“Reliance Media”).

Order under Section 31(1) of the Competition Act, 2002

1. On 1st August 2014, the Competition Commission of India (“Commission”) received a notice under sub-section (2) of Section 6 of the Act, given by PFL and Reliance Media pursuant to a binding term sheet dated 2nd July 2014 (“BTS”) entered into between Reliance Media and the current promoters of PFL (“Promoters”). Hereinafter Reliance Media and PFL are collectively referred to as the “Parties”. Apart from the BTS, the following agreements were entered into amongst *inter alios*, the Parties on 19th November 2014: (a) a share subscription cum shareholders’ agreement (“SSSA”) and (b) a business transfer agreement (“BTA”).
2. It is noted that on 2nd July 2014, Reliance Media and the Promoters, *inter alios*, caused a public announcement (“PA”) to be issued under the relevant provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011 (“Takeover Regulations”) for acquisition of upto 26 per cent of the equity share capital of PFL by way of a mandatory open offer¹ (“Open Offer”). As stated in the notice, the Open Offer is part of the proposed combination. It is observed that in terms of Regulation 14 of the Takeover Regulations, a public announcement is required to be communicated to the Securities and Exchange Board of India (SEBI). Therefore, in terms of sub-section (2) of Section 6 of the Act read with sub-regulation (8) of Regulation 5 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations)

¹ As per the PA, the following entities are acting as person acting in concert (PAC) for the Open Offer: Reliance Land Private Limited (as PAC 1), Mr. Namit Malhotra (as PAC 2), Mr. Naresh Malhotra (as PAC 3) and Monsoon Studio Private Limited (as PAC 4). It may be noted that Mr. Namit Malhotra and Mr. Naresh Malhotra are the Promoters of PFL and Monsoon Studio Private Limited is wholly owned by the Promoters.



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- Regulations, 2011 (“**Combination Regulations**”), the date of communication of the public announcement to the SEBI should be deemed to be the date of execution of the ‘other document’.
3. The proposed combination is a composite transaction comprising the following inter-related and inter-dependent steps / transactions (“**Proposed Combination**”):
- (i) Acquisition by PFL of all the fixed assets, current assets and current liabilities of the film and media division of Reliance Media, which include state-of-the-art studio facility in Film City Mumbai, media back end facility in SEZ at Navi Mumbai, 100 per cent ownership of Los Angeles-based digital film restoration firm Lowry Digital and debt of INR 200 crores.
 - (ii) Acquisition by Reliance Media of approximately 30.24 per cent of the equity share capital of PFL.
 - (iii) Acquisition of approximately 7.72 per cent equity share capital of PFL, by the Promoters, through Monsoon Studio Private Limited, a company wholly owned by them, by way of a preferential allotment for cash; and
 - (iv) Acquisition of upto 26 per cent of the equity share capital of PFL by way of the Open Offer.
4. PFL is a public limited company listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). As stated, PFL is engaged in the business of film and media services. It provides post-production services including digital intermediate, visual effects (VFX), 2D to 3D conversion, digital technological solutions, and other technical and creative services to the media and entertainment industry in India and abroad. Apart from equipment rental services, it also provides ClearTM services, which is a hybrid cloud software platform which manages content and enterprise workflows for the business of content.
5. Reliance Media is an unlisted company. As stated, it is active in the entertainment and media industry in India with presence across several businesses such as theatrical exhibition of films, film and media services and television content production and



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- distribution. Reliance Media, *inter alia*, provides VFX services, post-production services, studio services, digitization, image enhancement and equipment rental services.
6. In terms of Regulation 14 of the Combination Regulations, vide letter dated 11th August, 2014, the Parties were required to remove defects and provide certain information/document. The Parties filed their response on 20th August, 2014. As the response dated 20th August, 2014 had certain defects, vide letter dated 22nd August, 2014, the Parties were required to remove defects and provide information/document latest by 29th August, 2014. The Parties filed their response on 1st September, 2014 after seeking extension. Further, as defects were found in the responses of the Parties, vide letter dated 9th September 2014, they were asked to remove the same and also provide certain additional information latest by 22nd September, 2014. The Parties filed their response on 26th September 2014 after seeking extension in this regard. As certain anomalies were found in the information provided by the Parties vide their response dated 26th September 2014, vide letter dated 30th September 2014, the Parties were further asked to remove the defects and provide certain additional information latest by 13th October, 2014. The Parties filed their response on 21st November 2014, after seeking the extensions.
 7. As per the directions of the Commission in its meeting held on 1st October 2014, communication under sub-regulation (3) of Regulation 19 of the Combination Regulations read with Section 36 of the Act was sent to some of the competitors and the customers of the Parties on 1st October 2014 requiring them to furnish certain information to the Commission latest by 21st October 2014. After seeking extension of time for filing their response, certain competitors and the customers filed their response(s).
 8. It is observed from the submissions of the Parties that both the Parties, *inter alia*, provide film and media services and have horizontal overlaps in the following segments: (a) VFX services, (ii) post-production services and (iii) equipment rental services. Accordingly, each of the aforesaid segments in which the Parties have overlap may be considered as the relevant product market. With respect to the geographic market, it is noted that for VFX and post-production services, there are no



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significant transport costs, regulatory or other constraints that would prevent the provision of these services. Further, the end-customers of these services are also generally large and internationally active entities with presence in several regions across the world. Therefore, the whole of India may be considered as the relevant geographic market for VFX and post-production services. With respect to the market for equipment rental services, it is observed that the equipment rental services may involve significant transport costs, logistics and risks both for the customers as well as the vendors. However, on the basis of the material available on record and the submissions made by the competitors and customers in this regard, it is noted that geographical proximity is an important though not the sole factor for determining the suitability of a service provider over the other. Further, for hiring the equipment, technology and requirement of the cinematographers for a particular kind of equipment are also the important factors apart from hiring cost.

9. It is observed from the information provided in the notice that the combined market shares of the Parties are less than ten per cent in each of VFX and post-production services. Further, in equipment rental services, their composite market share is less than twelve per cent, which is also not significant. It is also noted from the responses received pursuant to the communication under sub-regulation (3) of Regulation 19 of the Combination Regulations read with Section 36 of the Act that many players, such as, Prana Studios, Tata Elxsi Limited, Red Chilies Entertainment Ltd., Real Impact Private Limited, Prasad Group, etc. are engaged in these relevant markets.
10. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have appreciable adverse effect on competition in India and therefore, the Commission hereby approves the Proposed Combination under sub-section (1) of Section 31 of the Act.
11. This approval is without prejudice to any other legal/statutory obligations as applicable.



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12. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
13. The Secretary is directed to communicate to the Parties accordingly.