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Breaking News: Reliance tunes into Network18!

December 2014

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1. Prologue

"... But now, as 2013 dawns, we have licked these problems too—we are a zero debt group, generating free cash flows. No power on Earth can now stop us from becoming a Great and Valuable Company."

Little did Raghav Bahl know as he typed these words in an email to all employees of the Network18 Group on January 1, 2013 that the entity he envisaged to be a 'Great and Valuable Company' would not remain in his control less than 18 months later.

The events that unfolded were fitting for a news group -- swift and rapid. The board of directors of Network18 was informed by Bahl on May 27, 2014 that they were facing a takeover bid from the Reliance group, and that Bahl and his wife, Ritu Kapur had decided it was time to hand over the empire and move on.

Though swift, the move from the elder of the Ambani brothers was not unexpected or unforeseen. The writing was on the wall from early 2012 when the media baron approached Mukesh Ambani, the promoter of the Reliance group, to bail Network18 Group out of its financial crisis.

Reliance, through an independent trust, acquired convertible debentures in the holding companies of Network18 and TV18. These debentures gave Reliance an opportunity to acquire a majority controlling stake in the entire Network18 Group, a target which was finally accomplished on July 7, 2014.

While there has been rampant consolidation in the media sector over the last few years (Essel Group's acquisition of a stake in Dainik Bhaskar, Eros International's acquisition of B4U Television Network, Walt Disney's acquisition of UTV Software Communications being a few), the Reliance-Network18 deal has been one of the most publicized deals in 2014. The importance of the deal cannot be overemphasized, considering the different segments into which Reliance will gain access to.

In this M&A Lab, we have attempted to analyze the legal, regulatory, financing, tax and commercial considerations of this deal.

2. Glossary of Terms

Term	Particulars
AMPL	Adventure Marketing Private Limited
BSE	Bombay Stock Exchange
CA 2002	Competition Act, 2002
CCI	Competition Commission of India
CMPL	Colorful Media Private Limited
Content License Agreement	Content license agreement dated February 27, 2012 entered into between Network18 and TV18 on one hand and RJIL (then Infotel Broadband Services Limited) on the other for providing preferential content access to RJIL
DCPL	Digital Content Private Limited
Deal	The transaction including the share sale under the SPA and the Open Offers.
Delisting Regulations	(Delisting of Equity Shares) Regulations, 2009
Holding Companies	RBMPL, RRBMPL, RBMHPL, AMPL, WIPL and CMPL collectively.
ICDR	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
IMT	Independent Media Trust
Infomedia	Infomedia Press Limited
Infomedia Emerging Voting Capital	The enlarged voting share capital of Infomedia calculated in accordance with Regulation 7 of the Takeover Code
Infomedia Escrow Account	The escrow account opened in accordance with Regulation 17 of the Takeover Code for the purposes of the Infomedia Open Offer
Infomedia Offer Shares	1,30,62,224 equity shares of Infomedia
Infomedia Open Offer	Open offer for the acquisition of Infomedia Offer Shares by the Acquirers
INR	Indian Rupees
ITA	Income Tax Act, 1961
Network18	Network18 Media and Investments Limited
Network18 Emerging Voting Capital	The enlarged voting share capital of Network18 calculated in accordance with Regulation 7 of the Takeover Code
Network18 Group	Network18 along with its various subsidiaries and the joint ventures entered into by RIL or its subsidiaries
Network18 Escrow Account	The escrow account opened in accordance with Regulation 17 of the Takeover Code for the purposes of the Network18 Open Offer
Network18 Offer Shares	22,99,46,996 equity shares of Network18
Network18 Open Offer	Open offer for the acquisition of Network18 Offer Shares by the Acquirers
NSE	National Stock Exchange
PAC	Persons acting in concert
PACs	The persons acting in concert for the relevant open offer, i.e. namely: For Network18 Open Offer: RIL, RIIHL, Shinano (deemed PAC); For TV18 Open Offer: RIL, RIIHL, Shinano (deemed PAC); For Infomedia Open Offer: RIL, RIIHL and Network18.

Raghav	Mr. Raghav Bahl
RBHPL	RB Holdings Private Limited
RBMHPL	RB Media Holdings Private Limited
RBMPL	RB Mediasoft Private Limited
Reliance Group	RIL along with its various subsidiaries and the joint ventures entered into by RIL or its subsidiaries
RIIHL	Reliance Industrial Investments and Holdings Limited
RIL	Reliance Industries Limited
Ritu	Mrs. Ritu Kapur
RJIL	Reliance Jio Infocomm Limited (earlier Infotel Broadband Services Limited)
RRBMPL	RRB Mediasoft Private Limited
SCPL	Sanchar Content Private Limited
Shinano	Shinano Retail Private Limited
SPA	Share purchase agreement dated May 29, 2014 entered into between IMT, Raghav, Ritu, the Holding Companies and RBHPL
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
TV18	TV18 Broadcast Limited
TV18 Emerging Voting Capital	The enlarged voting share capital of TV18 calculated in accordance with Regulation 7 of the Takeover Code
TV18 Escrow Account	The escrow account opened in accordance with Regulation 17 of the Takeover Code for the purposes of the TV18 Open Offer
TV18 Offer Shares	44,65,10,110 equity shares of TV18
TV18 Open Offer	Open offer for the acquisition of TV18 Offer Shares by the Acquirers
WIPL	Watermark Infratech Private Limited
ZOCD	Zero coupon optionally convertible debentures having face value of INR 100 each issued by the Holding Companies
ZOCD Investment Agreement	Investment agreement entered into on February 27, 2012 between IMT, Raghav, Ritu and the Holding Companies pursuant to which the ZOCDs were issued

3. Details of The Deal

I. Parties Involved

A. Acquirer, PACs and Related Parties

i. Independent Media Trust

IMT was set up pursuant to a trust deed dated November 2, 2011 ("**Trust Deed**") for the purpose of making investments. Mr. L.V. Merchant, was the 'Settlor' and DCPL was its first trustee. L.V. Merchant is the chief financial controller of RIL. DCPL (earlier known as Nilrab Media) was fully owned by Raghav and Ritu.[1]

RIL is the sole beneficiary of IMT as per the Trust Deed. RIIHL, a wholly owned subsidiary of RIL, was appointed as the 'Protector'[2] of IMT. [3]

Mr. Atul S. Dayal, the head legal advisor to the Reliance group of companies and a director of several companies of the RIL group[4] and Mr. P.M.S. Prasad, an executive director of RIL[5] were inducted as additional trustees of IMT on November 12, 2012. Under the Trust Deed, all decisions of IMT were to be taken by a majority of the trustees.

Subsequently, pursuant to a resolution dated May 20, 2014, SCPL (earlier Tilaka Land Private Limited) was inducted as an additional trustee of IMT. Mr. Atul S. Dayal owns approximately 60% (sixty percent) of the paid up share capital of SCPL.[6] Accordingly, from May 20, 2014, the trustees of IMT were DCPL, Mr. Atul Dayal, Mr. P.M.S.Prasad and SCPL.

The board of trustees administers and manages the affairs of IMT in accordance with the Trust Deed. All decisions of the board of trustees are taken by way of majority vote of the trustees. The maximum number of trustees permissible under the Trust Deed is 12.[7]

IMT did not have any operations for the year ended March 31, 2013 and March 31, 2014, and accordingly had no income for the years 2012-13 and 2013-14. It has unsecured loans worth approximately INR 22780 million (USD 379.67 million) in its books, and a corresponding investment of approximately INR 22780 million (USD 379.67 million).[8]

ii. Reliance Industries Limited

RIL is a listed company incorporated under the Companies Act, 1956. It was originaly incorporated on May 8, 1973 under the name Mynylon Limited in the State of Karnataka. RIL is India's largest private sector company with a net profit of INR 219 billion (US$ 3.65 billion) as on March 31, 2014.[9] It operates various businesses ranging from exploration and production of oil and gas; petroleum refining and marketing; petrochemicals comprising polymers, polyester and fibre. It operates in the above sectors directly and through its subsidiaries and joint ventures (collectively referred to as the "**Reliance Group**"). Mr. Mukesh Ambani is the chairman and managing director of RIL.

iii. Reliance Industrial Investments and Holdings Limited

RIIHL was originally incorporated on October 1, 1986. It is a wholly owned subsidiary of RIL. The status of the company was changed to a 'deemed' public company under Section 43A of Companies Act, 1956 on August 20, 1988. RIIHL is engaged in the sale of petroleum products.

iv. Reliance Jio Infocomm Limited

RJIL (name changed from Infotel Broadband Services Limited), a subsidiary of RIL is a leading provider of IT enabled services in the areas of content distribution, next generation value added services,

1. http://smartinvestor.business-standard.com/market/read-250860-readdet-Unravelling_RILs_ties_to_Network_18_The_changing_trustees_of_IMT.htm#.VDE_gPmSzkU; http://companyinfoz.com/company/digital-content-private-limited.
2. A trust protector is a person / entity who is not the settlor, beneficiary or trustee of the trust and is appointed to exercise powers affecting a trust and in the interest of the beneficiaries. In certain cases they can make decisions as to who the trustee is, regarding the investment, determine the distribution and also modify or terminate the trust.
3. http://www.sebi.gov.in/cms/sebi_data/commondocs/network18dlof_p.pdf (Page 16)
4. http://investing.businessweek.com/research/stocks/people/person.asp?personId=13637209&ticker=880966
5. http://www.ril.com/html/aboutus/board_composition.html
6. http://www.business-standard.com/article/companies/unravelling-ril-s-ties-to-network-18-the-changing-trustees-of-imt-114070301381_1.html
7. Network18 Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf
8. Network18 Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf
9. http://www.ril.com/downloads/pdf/PR07072014.pdf (page 1)

e-commerce and cloud computing. It has incubated a number of ventures in diverse domains like wireless broadband (Infotel Broadband Services Limited), mobile VAS and content distribution platforms (NexGTv), IPTV, homeland security and surveillance (Polixel), e-commerce– (B2B and B2C (Koovs and BenefitsPlus respecitvely)), next generation CRM solutions (Digicall and OneClick) etc.

RJIL has acquired 2G spectrum in 14 out of 22 service areas in the country and is set to commercially launch 4G services in 2015.[10] The Deal is claimed to be beneficial to RJIL, which now has access to the Network18 Group's digital content, thereby resulting in synergies.

v. Shinano Retail Private Limited

Shinano is effectively wholly owned by RIIHL. Shinano held 4.96% and 4.95% of TV18 Emerging Voting Capital and Network18 Emerging Voting Capital respectively prior to the Deal. Shinano was a public shareholder in Network18 and TV 18 prior to the launch of open offer by the Acquirers. It was named as deemed PAC for the purposes of the TV18 Open Offer and Network18 Open Offer.

vi. For the purpose of the Infomedia Open Offer, Network18 was also included as a PAC after the consummation of the transaction under the SPA on July 7, 2014.

B. Sellers and Underlying Companies

i. Sellers

a. Mr. Raghav Bahl

Raghav was the founder-promoter of the Network18 Group, and was the managing director of the Network18 Group prior to the Deal. He was one of the two sellers under the SPA.

b. Mrs. Ritu Kapur

Wife of Raghav, Ritu, was a shareholder in all Holding Companies. She was the other seller under the SPA.

ii. Holding Companies

The following companies (collectively referred to as the "**Holding Companies**") held 71.25% and 3.94% of the Network18 Emerging Voting Capital and TV18 Emerging Voting Capital respectively [11]:

- RB Mediasoft Private Limited ("**RBMPL**");
- RRB Mediasoft Private Limited ("**RRBMPL**");
- RB Media Holdings Private Limited ("**RBMHPL**");
- Adventure Marketing Private Limited ("**AMPL**");
- Watermark Infratech Private Limited ("**WIPL**"); and
- Colorful Media Private Limited ("**CMPL**").

The Holding Companies were all jointly owned by Raghav and Ritu in the ratio of 95:5 respectively prior to the Deal.

C. Target Companies

i. Network18

Network18 is a company incorporated under the Companies Act, 1956 and listed on BSE and NSE. The "**Network18 Group**" comprises of several media and entertainment companies with interests in television, internet, films, e-commerce, magazines, mobile content and allied businesses.

The Network18 Group operates digital, publishing and e-commerce assets including moneycontrol.com, ibnlive.com, HomeShop18.com and bookmyshow.com. It also publishes Forbes India in collaboration with Forbes Media. In addition, the Network18 Group also operates Network18 Publishing, a player in the special interest publishing space. 'Network18' also has investments in Yatra, Stargaze and other Capital18 portfolio companies.[12]

ii. TV18

TV18, listed on BSE and NSE, is a subsidiary of Network18 and a part of the Network18 Group.

10. http://timesofindia.indiatimes.com/tech/tech-news/Reliance-Jio-Infocomm-to-launch-4G-in-2015-Mukesh-Ambani/articleshow/36763068.cms
11. Network18 Letter of Offer, 2012, available at: http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf and TV18 Draft Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1331275593801.pdf
12. http://network18online.com/

TV18 operates news channels including CNBC-TV18, CNBC Awaaz, CNBC-TV18 Prime HD, CNN-IBN, IBN7 and IBN-Lokmat. TV18 is also a partner with Viacom in their joint venture, Viacom18, which operates a number of leading entertainment channels such as Colors, MTV, Comedy Central, Vh1, Nick. Viacom18 houses, Viacom18 Motion Pictures, the Network18 Group's film entertainment business.

Network18 held approximately 51% of the paid up share capital of TV18 prior to the consummation of the Deal.

iii. Infomedia Press Limited

Infomedia was incorporated on May 30, 1955 as 'The Commercial Printing Press Limited'. The name of the company was changed to Infomedia Press Limited on July 5, 2012. Infomedia is also listed on the NSE and BSE.

Infomedia was engaged in the printing business. However, in 2012-13, it closed down the printing press due to commercial unvaibility, and is currently considering venturing into new business.[13]

Network18 held 47.60% of the Infomedia Emerging Voting Capital as on March 31, 2014, with the remaining being held by the public.

II. Transaction Documents

A. Share Purchase Agreement (29th May, 2014)

A share purchase agreement dated May 29, 2014 was entered into between IMT, Raghav, Ritu, the Holding Companies and RBHPL (the "**SPA**"). Under the SPA, IMT agreed to buy 100% of the outstanding equity shares of the Holding Companies and RBHPL for an aggregate consideration of INR 7069.5 million (USD 117.8 million).[14] [15]

Under the SPA, IMT also agreed to extend convertible loans amounting to INR 430.8 million (USD 7.18 million) and INR 3049.4 million (USD 50.82 million) to the Holding Companies and RBHPL respectively, for repayment of their outstanding liabilities. These were liabilities in addition to the ZOCDs issued by the Holding Companies.

In accordance with the terms of the SPA, Raghav was also required to relinquish all his executive powers with regard to Network18 and the Network18 Group but he would continue to act as a non-executive director on the board of Network18.[16]

On the consummation of the transactions under the SPA, DCPL was required to resign as a trustee of IMT and the investments held by DCPL (including the equity shares of Network18 and the ZOCDs of the Holding Companies) were transferred to SCPL, in its capacity as a trustee of IMT.[17]

The transactions contemplated under the SPA were consummated on July 7, 2014 pursuant to which IMT acquired 100% shareholding of the Holding Companies.[18] Post the consummation of the transaction under the SPA, DCPL resigned as the trustee of IMT.

B. Other documents

In addition to the SPA, pursuant to which the equity shares of the Holding Companies were acquired by IMT, IMT and certain entities in the Reliance Group had executed certain documents in 2012 to provide funding to the Network18 Group.

i. ZOCD Investment Agreement (February 27, 2012)

An investment agreement was entered into on February 27, 2012 between IMT, Raghav, Ritu and the Holding Companies, pursuant to which IMT agreed to subscribe to certain number of ZOCDs to be issued by the Holding Companies ("**ZOCD Investment Agreement**"). The consideration from the issuance of the ZOCDs was to be utilized by the Holding Companies to subscribe to the equity shares offered by Network18 and TV18 by way of rights issuance. [19]

The ZOCDs (and the equity shares to be issued upon conversion of the ZOCDs) were freely transferable by the subscriber. Each ZOCD could be converted at any time within a period of 10 years from the

13. Infomedia, Annual Report, 2013-14 available online at http://infomediapress.in/wp-content/uploads/2014/09/IP_AnnualReport_2013-14.pdf
14. TV18 Draft Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1331275593801.pdf
15. The consideration for the shares of RBHPL was INR 10 million only. RBHPL did not hold any shares in Network18, TV18 or Infomedia
16. TV18 Draft Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/attachdocs/1331275593801.pdf
17. Network 18 Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf
18. http://www.valueresearchonline.com/stocks/Directors_Report.asp?code=17024
19. Network 18 Letter of Offer, 2014, available at: http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf

date of issuance, into 10 equity shares (adjusted for certain events) of the relevant Holding Company.[20] The ZOCD holder could also require the Holding Company to redeem all or part of the ZOCDs at par at any time within a period of 10 years from the date of issuance of the ZOCDs. The ZOCDs which were neither converted into equity shares nor redeemed at the expiry of the 10 year period would automatically be redeemed at par upon the expiry of 10 years from the date of subscription to the ZOCDs.[21]

ii. Content License Agreement (February 27, 2012)

A content license agreement was entered on February 27, 2012 between Network18 and TV18 on one hand and RJIL (known as Infotel Broadband Services Limited at the time) on the other (**"Content License Agreement"**). Under the terms of the Content License Agreement, Network18 and TV18 agreed to provide RJIL access to the content provided by them on a preferential or first-right basis (though not exclusive) through any network providing access.

III. Deal Snapshot

Direct targets	Holding Companies and RBHPL
Indirect Targets	Network18, TV18, Infomedia
Acquirer	IMT
PACs (for Network18)	RIL, RIIHL and Shinano
PACs (for TV18)	RIL, RIIHL and Shinano
PACs (for Infomedia)	RIL, RIIHL, Network18 and Shinano
Sellers	Raghav and Ritu
Trigger event for Open Offer	Acquisition of 100% equity shares of the Direct Targets by the Acquirers from the Sellers, triggering indirect acquisition of the Indirect Targets under Regulation 3 and 4 read with Regulation 5 of the Takeover Code
Mode of acquisition	**Indirect acquisition:** ▪ By acquiring the Holding Companies, the Acquirers acquired ▪ 71.25% of the Network18 Emerging Voting Capital; ▪ 55.03% of the TV18 Emerging Voting Capital; and ▪ 47.60% of the Infomedia Emerging Voting Capital. **Open Offer:** ▪ Open offer made by the Acquirers to the public shareholders of the Indirect Targets to acquire as follows: ▪ Network18: 21.95% of the Network18 Emerging Voting Capital; ▪ TV18: 26% of the TV18 Emerging Voting Capital; ▪ Infomedia: 26% of the Infomedia Emerging Voting Capital.
Total holding contemplated (assuming full tender under the open offer)	▪ Network18: 100% of the Network18 Emerging Voting Capital; ▪ TV18: 85.99% of the TV18 Emerging Voting Capital; ▪ Infomedia: 73.60% of the Infomedia Emerging Voting Capital.
Acquisition price	**Indirect Acquisition:** The consideration for the acquisition of the Holding Companies was approximately INR 32.2 billion (USD 536 million), attributable as follows:

20. www.sebi.gov.in/cms/sebi_data/attachdocs/1347355493264.pdf

21. www.sebi.gov.in/cms/sebi_data/attachdocs/1347336149124.pdf

- 74,61,88,987 equity shares of Network18 at a price of INR 41.04 per share aggregating to INR 30620 million (USD 510.33 million);
- 6,77,33,486 equity shares of TV18 at a price of INR 30.18 per share aggregating to INR 2040 million (USD 34 million).
- Since Network18 owned Infomedia, no separate consideration was attributable to Infomedia.

Open Offer:

- 22,99,46,996 equity shares of Network18 at a price of INR 41.04 per share, aggregating to INR 9,437 million (USD 157.28 million);
- 44,65,10,110 equity shares of TV18 at a price of INR 30.18 per share, aggregating to INR 1,3475 million (USD 224.58 million);
- 1,30,62,224 equity shares of Infomedia at a price of INR 3 per share, aggregating to INR 39.18 million (USD 653,333).

IV. Chronology of Events

Date	Particulars
February 27, 2012	▪ The ZOCD Investment Agreement is executed between IMT, Raghav, Ritu and the Holding Companies. ▪ Content License Agreement is entered into between Network18 and TV18 on one hand and RJIL (then Infotel Broadband Services Limited) on the other.
May 29, 2014	▪ RIL announces takeover of Network18 by IMT[22] ; ▪ SPA is entered into between IMT, Raghav, Ritu, the Holding Companies and RBHPL.
June 2, 2014	▪ IMT makes public announcement for open offer for shares of Infomedia.
June 3, 2014	▪ IMT makes public announcement for open offer for shares of Network18; ▪ IMT makes public announcement for open offer for shares of TV18.
June 5, 2014	▪ Detailed public statement for open offer of Network18 is made; ▪ Detailed public statement for open offer of TV18 is made; ▪ Detailed public statement for open offer of Infomedia is made.
June 13, 2014	▪ Draft letter of offer for Infomedia is filed with SEBI.
June 17, 2014	▪ Draft letter of offer for Network18 is filed with SEBI; ▪ Draft letter of offer for TV18 is filed with SEBI.
July 7, 2014	▪ The transactions under the SPA are consummated.
July 7, 2014	▪ Meeting of the board of directors of (i) Network18, (ii) TV18 and (iii) Infomedia was held to i. reconstitute the board of directors inducting the nominees of the Acquirers and taking on record the resignation of the earlier directors; ii. take note of the change in the promoters for the respective companies.

22. http://articles.economictimes.indiatimes.com/2014-07-07/news/51133571_1_reliance-industries-ltd-independent-media-trust-differentiated-broadcast-content

July 14, 2014	▪ The recommendations of the committee of independent directors for Network18 announced; ▪ The recommendations of the committee of independent directors for TV18 announced; ▪ The recommendations of the committee of independent directors for Infomedia announced.
November 17, 2014	▪ SEBI issues its comments on the draft letter of offer for Network18; ▪ SEBI issues its comments on the draft letter of offer for TV18; ▪ SEBI issues its comments on the draft letter of offer for Infomedia.
November 27, 2014	▪ Final letter of offer filed for Network18; ▪ Final letter of offer filed for TV18; ▪ Final letter of offer filed for Infomedia.
December 3, 2014	▪ Advertisement cum Corrigendum issued for Network18; ▪ Advertisement cum Corrigendum issued for TV18.
December 5, 2014	▪ Advertisement cum Corrigendum issued for Infomedia.

V. Deal Structure

A. Network18 Open Offer

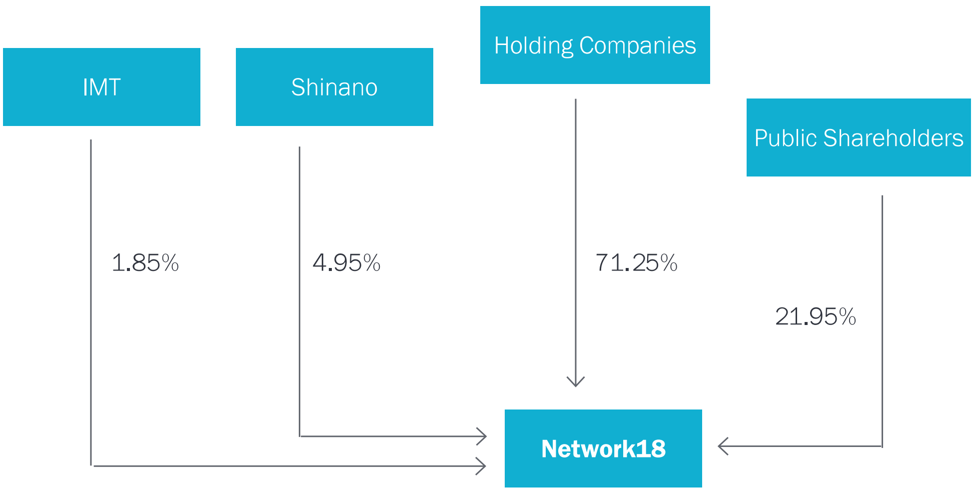
The Network18 Emerging Voting Capital was held by the following entities prior to the Deal[23]:

i. 1,93,83,100 equity shares of Network18 representing 1.85% of the Network18 Emerging Voting Capital, were held by DCPL in its capacity as a trustee of IMT;

ii. 74,61,88,987 equity shares of Network18 representing 71.25% of the Network18 Emerging Voting Capital were held by the Holding Companies;

iii. 5,17,98,443 equity shares of Network18 representing 4.95% of the Network18 Emerging Voting Capital were held by Shinano; and

iv. 22,99,46,996 equity shares of Network18 representing 21.95% of the Network18 Emerging Voting Capital were held by the public shareholders.



Subsequent to the consummation of the transaction under the SPA, from July 7, 2014, IMT held directly or indirectly, 73.10% individually, and 78.05% along with Shinano (a deemed PAC). The balance was held by public shareholders.

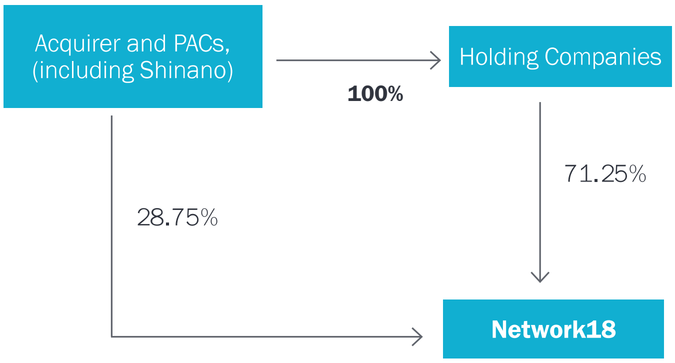
23. http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18FOD_p.pdf

The Acquirers also gained control over Network18. This is evident from the immediate change in the Board of Network18 post consummation of the share purchase, under which 5 of the existing directors retired, and were replaced by the nominees of the Acquirers. The relinquishment of all executive powers and responsibilities of Raghav from July 7, 2014 is also a strong indicator of the change in control. Accordingly, an obligation to make an open offer for 'indirect acquisition' both under Regulation 3 and Regulation 4, read with Regulation 5 was triggered. In accordance with Regulation 22 of the Takeover Code, prior to consummation of the transaction under the SPA, RIL (on behalf of IMT) deposited 100% of the offer amount into the Network18 Escrow Account.

The Acquirers have made an open offer to acquire up to 22,99,46,996 equity shares of Network18 ("**Network18 Offer Shares**") having face value of INR 5 (which are held by the public shareholders) at a price of INR 41.04 aggregating to approximately INR 9437 million (USD 157.28 million).

The price for the Network18 Offer Shares was determined in accordance with Regulation 8 of the Takeover Code.

Pursuant to acquisition of the equity shares, voting rights and control of the Holding Companies and assuming a 100% acceptance of the Network18 Open Offer, the Acquirers would hold the entire Network18 Emerging Voting Capital.



Considering that the minimum public shareholding in Network18 would fall below the minimum prescribed limit, the Acquirers would be required to bring the public shareholding to at least the minimum prescribed limit of 25% within 1 year from the date such public shareholding falls below 25%. While Shinano was a public shareholder as of June 1, 2014, its shareholding is now under the 'promoter' group. Accordingly, the minimum public shareholding has already decreased below the statutory limit, and the time period of 1 year would trigger from July 7, 2014. Alternatively, Network18 can be delisted if the Acquirer does not intend to keep Network18 listed, in which case compliance under the Delisting Regulations need to be adhered to.

B. TV18 Open Offer

The TV18 Emerging Voting Capital is held by the following entities in the following manner as on June 30, 2014[24]:

i. 87,70,35,062 equity shares of TV18 representing 51.07% of the TV18 Emerging Voting Capital, were held by Network18;

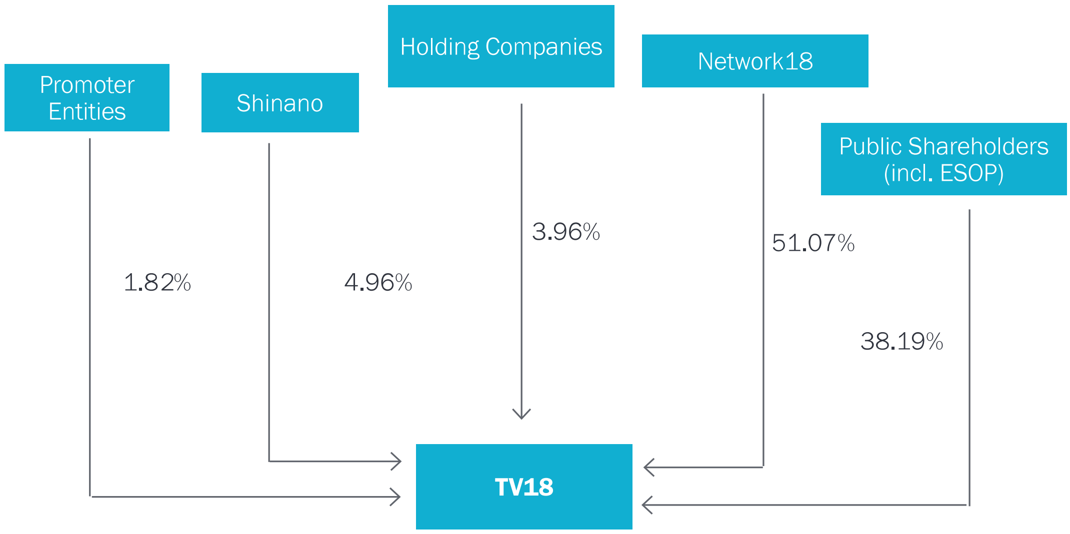
ii. 6,77,31,123 equity shares of TV18 representing 3.96% of the TV18 Emerging Voting Capital were held by the Holding Companies;

iii. 3,15,95,016 equity shares of TV18 representing 1.82% of the TV18 Emerging Voting Capital, were held by other promoter entities;

iv. 8,51,73,200 equity shares of TV18 representing 4.96% of the TV18 Emerging Voting Capital were held by Shinano; and

v 65,58,12,174 equity shares of TV18 representing 38.19% of the TV18 Emerging Voting Capital were held by public shareholders and provided for in employee stock options.

24. http://www.sebi.gov.in/cms/sebi_data/commondocs/TV18BroadcastFOD_p.pdf



Pursuant to the transaction under the SPA, which consummated on July 7, 2014, IMT acquired 100% of the share capital of the Holding Companies. As per Regulation 22 of the Takeover Code, RIL (on behalf of IMT) deposited 100% of the offer amount into the TV18 Escrow Account prior to the consummation of the transaction under the SPA. Additionally, as noted above, an open offer for the public shareholding of TV18 has been made.

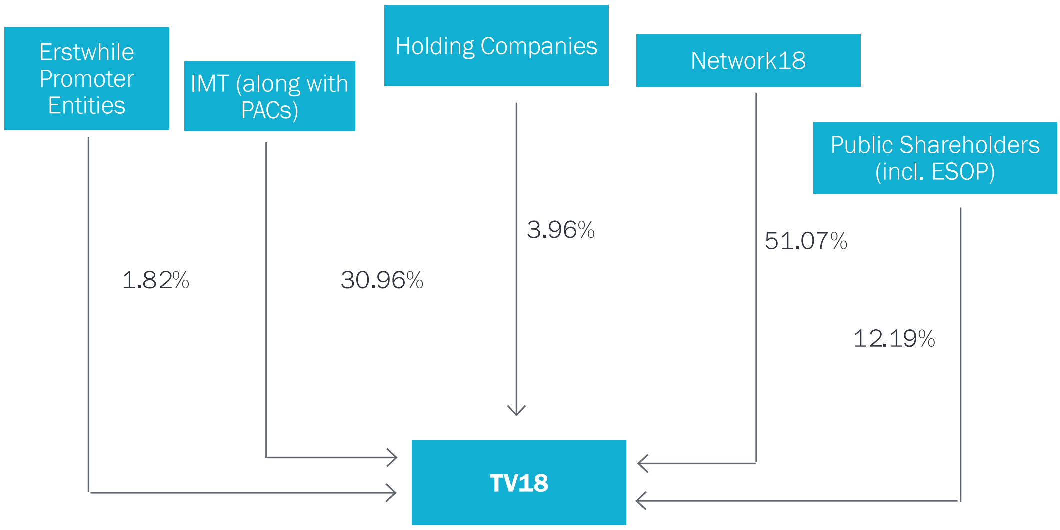
If the TV18 Open Offer is 100% successful, the Acquirer would control 85.99% (51.07% + 3.96% + 4.96% + 26%) of the share capital of Network18. Irrespective of the success of the TV18 Open Offer, the Acquirer would control TV18 by virtue of exercising control over Network18. Additionally, Shinano is also a deemed PAC in the said acquisition.

Accordingly, the Acquirers would control approximately 59.99% of the share capital of TV18, which would trigger an open offer obligation under Regulation 3 read with Regulation 5 of the Takeover Code. Around 1.82% of the shares of the promoter holdings were held by various trusts, namely Network18 Group Senior Professional Welfare Trust (1.68%), IBN18 Trust (0.08%), TV18 Employees Welfare Trust (0.04%), which would not form part of the promoter group post consummation of the Deal.

Additionally, the Acquirers also gained control over TV18 and the composition of the board was changed on July 7, 2014 with the nominees of the Acquirers being inducted on the board, and the other directors of the erstwhile promoters resigning. The relevant filings for change in promoters under ICDR were also made. Accordingly, an open offer obligation was triggered under both Regulation 3 and Regulation 4 read with Regulation 5 of Takeover Code.

The Acquirers have made an open offer to acquire up to 44,65,10,110 equity shares of TV18 ("**TV18 Offer Shares**") having face value of INR 2 at a price of INR 30.18 aggregating to approximately INR 13475.7 million (USD 224.595 million). The TV18 Offer Shares would represent 26% of the TV18 Emerging Voting Capital.

Pursuant to acquisition of the equity shares, voting rights and control of the Holding Companies and assuming a 100% acceptance in the TV18 Open Offer, the Acquirers would hold approximately 85.99% of the TV18 Emerging Voting Capital. Similar to Network18, if the Acquirers hold more than 75% shares of TV18 post-open offer, the Acquirers would have to increase the minimum public shareholding to the prescribed limit of 25% within 1 year from the date the public shareholding falls below 25%. Alternatively, TV18 can be delisted if the Acquirer does not intend to keep TV18 listed, in which case compliance under the Delisting Regulations need to be adhered to.

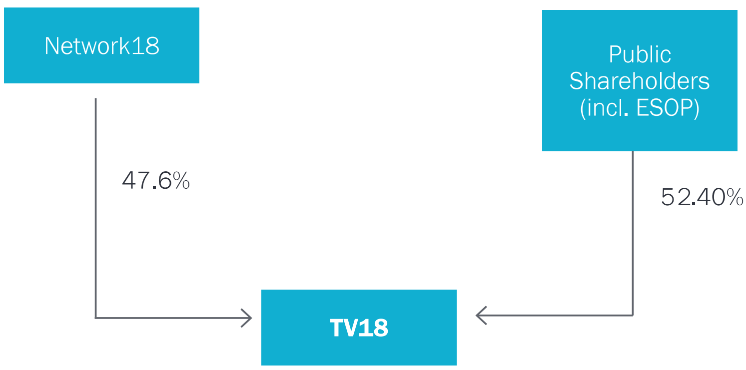


C. Infomedia Open Offer

The Infomedia Emerging Voting Capital is held by the following entities in the following manner[25]:

i. 2,39,13,061 equity shares of Infomedia representing 47.60% of the Infomedia Emerging Voting Capital, were held by Network18;

ii 2,63,26,261 equity shares of Infomedia representing 52.40% of the Infomedia Emerging Voting Capital were held by public shareholders and provided for in employee stock options.



By virtue of acquisition of Network18, the Acquirers also acquired 47.60% of the Infomedia Emerging Voting Capital. Further the control of the board of Infomedia was also acquired by virtue of the (indirect) acquisition of Network18, and accordingly an open offer for Infomedia was required to be made.

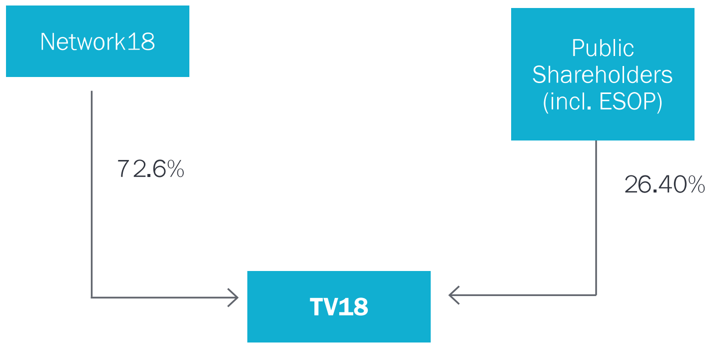
The Acquirers have mentioned in the final offer letter that '*there is no specific objective in this indirect acquisition of Infomedia and it is purely consequential to the indirect acquisition of Network18*'.[26]

The Acquirers have made an open offer to acquire up to 1,30,62,224 equity shares of Infomedia (“**Infomedia Offer Shares**”) having face value of INR 10 each at a price of INR 3 each aggregating to approximately INR 39.2 million (USD 653,333). The Infomedia Offer Shares would represent 26% of the Infomedia Emerging Voting Capital.

In the final offer letter for the Infomedia Open Offer, Network18 was included as a PAC. This was pursuant to the resolution of the board of Network18 dated July 7, 2014, where it agreed to act as a PAC for the Infomedia Open Offer. While Network18 has not

25. http://www.sebi.gov.in/cms/sebi_data/commondocs/InfomediaFOD_p.pdf
26. http://www.sebi.gov.in/cms/sebi_data/commondocs/InfomediaFOD_p.pdf

been included as a PAC for TV18, it has specifically been included in the Infomedia Open Offer. The final offer letter also mentions that the shares tendered by the public shareholders of Infomedia shall be acquired by Network18. Accordingly, it seems that the intention of the Acquirers was to consolidate the holdings of Infomedia under Network18 itself, which currently holds 47.60% of the Infomedia Emerging Voting Capital anyway.



4. Commercial Considerations

I. Why did the Network18 Group require cash in 2011-12 for Reliance Group?

Network18's promoter, Raghav had initiated an aggressive acquisition strategy around 2006. The Network18 Group forayed into diverse sectors in the media and entertainment business, ranging from general entertainment channels to movie production (Viacom 18 Motion Pictures[27]), multiplex business (Stargaze Entertainment[28]), e-commerce (HomeShop18), selling movie tickets (bookmyshow.com[29]), buying a printing press (Infomedia18[30]), investing in a whole host of trade and consumer-led print magazines (Network18, Forbes India[31]), a website which listed reviews of restaurants (Burrp![32]), setting up (and divesting) a phone service search portal (AskMe.com[33]), a website for investment advisory services (Capital18 Media Advisors[34]), a website for breaking news of the stock markets (moneycontrol.com), a sports management firm (Sport18[35]) that mostly organized cycle races, an event management firm (E18[36]) etc.

This diversification strategy adopted by the Network18 Group resulted in the requirement for capital, and the strategy did not reap benefits at the pace of the expansion. Some of these ventures required substantial amount of capital infusion, and this led Raghav to borrow from various sources. This led to a situation where the Network18 Group was reeling under pressure from lenders. The consolidated loans of the Network18 Group for the year ended March 31, 2011 stood in excess of INR 25 billion (USD 416 million), while the overall revenues of the group stood at approximately INR 16 billion(USD 266 million).[37]

This burgeoning debt position of Network18 Group, with increasing interest payment obligations resulted in the Network18 Group requiring cash infusion.

II. Why was RIL interested in funding the debt-laden, loss-making Network18 Group?

RIL had been trying to gain a foothold in the media business. Earlier, in 2008, RIL bailed out Eenadu Group's Ramoji Rao. However, the Network18 Group would give RIL access to information and broadcasting across multiple modes of media, including print and television. The Network18 Group had its presence in 22 channels.[38] There have also been suggestions that the Network18 Group was crucial since it could act as the public relations agency for the Reliance Group.[39] While this may not necessarily imply that RIL was looking to take over the Network18 group, it may have been inferred from RIL's interest in the media sector earlier, and the synergies between media and telecom.

However, probably one of the most important reasons which prompted RIL to invest in the Network18 Group was access to exclusive content across segments for Reliance to foray into 4G services for RJIL (earlier Infotel Broadband Services). This was reflected by the execution of the Content License Agreement between RJIL and the Network18 Group in February 2012 (refer section *Transaction Documents* above).

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27. http://www.viacom18.com/aboutus.html
28. http://www.stargaze.co.in/AboutUs.aspx
29. http://in.bookmyshow.com/aboutus
30. http://www.campaignindia.in/Article/309048,network18-aligns-infomedia18-publishing-divisions-under-8216network18-publishing8217.aspx
31. http://www.afaqs.com/news/story/29548_Network18-launches-ForbesLife-in-India
32. http://in.reuters.com/article/2009/04/06/idINIndia-38900220090406
33. http://www.moneycontrol.com/news/business/network18-profitably-divests-yellow-pagesaskme-biz_831657.html
34. http://in.reuters.com/article/2009/04/08/idINIndia-38951220090408
35. http://www.campaignindia.in/Article/224672,network-18-kicks-off-sports-division.aspx
36. http://www.business-standard.com/article/companies/network-18-launches-events-division-107060701096_1.html
37. http://network18online.com/reports/Financial%20Results/Annual%20Reports/Annual%20Report%202010-11.pdf
38. http://www.outlookbusiness.com/printarticle.aspx?279736
39. http://www.outlookbusiness.com/printarticle.aspx?279736

III. How did IMT raise funds to infuse into the Holding Companies, both at the time of subscription to the ZOCDs, and as well as to subscribe to the latest infusion of INR 40 billion?

IMT was funded by RIL on both occasions for investment into the Holding Companies. The press release by RIL dated January 3, 2012 clarifies that IMT shall be subscribing to the ZOCDs of the Holding Companies.[40] While the press release does not explicitly state that RIL is funding the investment, it is apparent that RIL had infused cash for the purposes of the acquisition.[41] On May 29, 2014, RIL again issued a press release declaring that it had approved funding of approximately INR 4 billion to acquire shares of Network18 and TV18 from Raghav and to enable IMT to carry out the open offer obligations triggered by way of the acquisition.

While it is not clear as to how RIL funded IMT for subscription of the ZOCDs, it seems that RIL may have provided unsecured loans to IMT. The audited financials of IMT state that it had unsecured loans outstanding to the tune of INR 2.2728 billion as on March 31, 2014.[42]

IV. Why did IMT have a number of trustees over a period of time?

It seems that the first trustee under the trust deed, DCPL was appointed for two reasons, namely (a) to make it appear that there is change in control from a Takeover Code perspective and (b) to ensure that the independence of the media is sacrosanct and not being compromised. DCPL, as mentioned before, was owned 100% by Raghav and Ritu.[43]

It is pertinent to note that the power to appoint and remove any trustee of IMT was with the 'Protector', i.e. RIIHL, a wholly owned subsidiary of RIL. This implies that the power of appointment and removal of trustees was ultimately with RIL.

Subsequently, Mr. Atul Dayal and Mr. P.M.S. Prasad were inducted as additional trustees by way of resolution dated November 12, 2012. All decisions of IMT were to be taken by way of majority vote of trustees. SCPL was further inducted as additional trustee by way of resolution dated May 20, 2014.[44] SCPL, it is stated is held by Mr. Atul Dayal, and two other RIL executives, Mr. Ramesh Damani and Mr. Sundar Mathrubootheswaran.[45] Finally, the draft letter for the open offer clarifies that DCPL would resign as one of the trustees of IMT post completion of the transaction. The holding of DCPL, in its capacity as the trustee of IMT would be transferred to SCPL, which shall hold such investments, in its capacity as the trustee of IMT.

Accordingly, the control over IMT, which was with Raghav through DCPL, the first trustee had slowly been phased out and handed over to RIL.

V. Why did RIL not appoint RIIHL as the trustee, but merely as a 'protector' for the Trust?

If RIIHL, a subsidiary of RIL was appointed the trustee of IMT, all holdings of RIIHL (in its capacity as a trustee of IMT) would have to be consolidated in the annual accounts of RIL. Additionally, from a Takeover Code perspective, having DCPL as the trustee provided more weightage to the argument that there was no change in control from a persons acting in concert perspective, which could have been an issue if RIIHL was appointed as the trustee for IMT.

VI. What prompted the sale of the shares of the Holding Companies?

The financials of the Network18 Group had improved substantially over 2013-14. The consolidated losses of the Network18 Group reduced from INR 1050 million (USD 17.5 million) in 2012-13

40. http://www.bseindia.com/xml-data/corpfiling/AttachHis/Reliance_Industries_Ltd_030112.pdf
41. http://indianexpress.com/article/entertainment/screen/reliance-takes-control-of-network18-group-in-first-direct-exposure-to-media/99/
42. Infomedia, Draft Letter of Offer, available at http://www.sebi.gov.in/cms/sebi_data/commondocs/InfomediaDLOF_p.pdf
43. Network18 Rights Issue Offer Letter, available at http://www.sebi.gov.in/cms/sebi_data/commondocs/Network18DLOF_p.pdf
44. Offer Letter
45. http://www.rediff.com/business/slide-show/slide-show-1-why-the-ril-network18-deal-was-delayed-for-30-months/20140704.htm#5

to INR 367.7 million (USD 6.128 million) in 2013-14.[46]

The restructuring of the Network18 Group was already carried out by Raghav and his team in the years 2012 and 2013. Newswire18 was sold to Samara Capital.[47] Other non-profit making units such as Infomedia18, Sports18, Yellow Pages and AskMe were closed down.[48]Other ventures such as in.com, IBNLive.com, Myschool.com were leaned.[49]Approximately 900 employees were relieved to rationalize costs.[50]

The time seemed right for the Reliance Group to acquire the Network18 Group. It was inevitable that the Network18 Group would start making profits in the near future, which would have increased the valuation of the asset as a whole. Accordingly, RIL and IMT probably stepped in at this time, to acquire the Network18 Group.

46. http://network18online.com/reports/Financial%20Results/Annual%20Reports/Network18-AR-2014.pdf
47. http://articles.economictimes.indiatimes.com/2012-12-04/news/35594475_1_network18-sole-transaction-adviser-news-terminal-business
48. http://www.livemint.com/Companies/rqT2Oi8fwv4XVjJcHzlcVN/Inside-the-Network18-takeover.html
49. http://www.thehindu.com/business/companies/network-18-to-massively-downsize-staff-cut-costs/article5026457.ece
50. http://www.thehindu.com/business/companies/network-18-to-massively-downsize-staff-cut-costs/article5026457.ece

5. Legal and Regulatory Considerations

I. Did the investment into ZOCDs by IMT in 2012 require CCI approval?

The investment into ZOCDs by IMT in 2012 required CCI approval and a notice under section 6 (2) of CA 2002 was filed.

The investment into the Holding Companies was in excess of the prescribed threshold. Further, the CCI, on analyzing the entire structure, held that the ZOCDs, which could be converted into 99.99% of the equity shares of the Holding Companies at any time within 10 years, gave IMT the ability to '*exercise decisive influence over the management and affairs of each of the target (Holding) companies*'. Accordingly, a CCI approval was required for the investment into ZOCDs.[51]

The CCI analyzed in detail the various segments in which the Reliance Group and the Network18 Group co-existed, including in television channels, event management services, broadband internet services and access to content through such services. The CCI concluded that it was unlikely that the proposed combination would have any adverse effect on competition in India. Accordingly, the CCI did not raise any objections to the proposed acquisition.[52]

One interesting aspect which was highlighted in this decision of the CCI was that acquisition of instruments, which would entitle the holder of the security to receive shares with voting rights, i.e. equity shares in this case, was to be considered as the trigger for making a filing under CA 2002. The definition of 'shares' under CA 2002 clearly include such instruments as well.

II. Did the investment into ZOCDs by IMT in 2012 require an open offer under the Takeover Code?

Under the Takeover Code, an open offer is, inter alia, required to be made by the person, directly or indirectly acquiring shares of a listed target company (i) if the shares held by such acquirer along with PAC(s) exceeds 25% of the shares of the target company or (ii) if the acquirer acquires control of the target company. Additionally, an open offer is also required to be made if any person acquires shares or voting rights in a company or entity, that would enable such person '*to exercise or direct the exercise of such percentage of voting rights in, or control over, a target company, the acquisition of which would otherwise attract the obligation to make a public announcement of an open offer for acquiring shares under these regulations*'.

Optionally convertible debentures do not fall within the ambit of 'shares' under the Takeover Code, unlike the CA 2002. Accordingly, the acquisition of ZOCDs by IMT in 2012 did not satisfy the test for acquiring the prescribed number of shares. With respect to control, the trustee of IMT, which held the ZOCDs was DCPL, which was owned by Raghav and Ritu, and accordingly, there was no change in control by the acquisition of the ZOCDs. Accordingly, no open offer was made under the Takeover Code in 2012.

It is interesting to note that while CCI held that control was being acquired by IMT, the Takeover Code was not triggered. The distinction in this case is due to the difference in the intent of the Takeover Code and the CA 2002.[53]

51. http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2012-03-47.pdf
52. http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2012-03-47.pdf
53. This distinction was also brought out in the case of the acquisition of shares of Jet Airways Limited by Etihad Airways in 2014, where SEBI clearly distinguished the purpose of CA 2002 with the Takeover Code.

Additionally, it is also important to note that subscription to the rights issuance by Network18 and TV18 did not require an open offer obligation on IMT. This is because the Holding Companies (and other existing shareholders at the time) had agreed to invest in the rights issue in accordance with Regulation 10(4)(a) and Regulation 10(4)(b) of the Takeover Code, under which the investment by the Holding Companies would have been exempt from open offer obligations.

III. Why did RIL use IMT as an Investment Vehicle instead of Subscribing to the ZOCDs Directly?

The reasons why RIL may have utilized a trust, i.e. IMT for the investment into the Holding Companies may be two-fold.

First, to provide semblance that the transaction does not result in a change in control, RIL decided to invest through a trust, IMT. The first trustee of IMT was DCPL.[54] The use of a trust vehicle whose trustee was an existing controlling shareholding would not result in 'change of control' and consequently the obligations under the Takeover Code would not be triggered.

Additionally, using an independent trust with the control being with Raghav may also have been important for two other reasons. One, incentivize Raghav to enter into the transaction, since he would not lose control over his empire. Two, with IMT acting as the façade to the investment, it could have been argued that the integrity and independence of the media, one of Network18's main areas of operations, will remain intact. RIL had clarified in its press release at that time, that Raghav and his team will continue to have full operational and management control of both the companies.[55]

However, RIL did not let the entire control over the investment vest with DCPL, as it may have appeared. As a means of protection, the trust deed for IMT named RIIHL as the protector of IMT, which had substantial powers of removal and appointment of trustees of IMT. This would mean RIL, being the parent of RIIHL, ultimately exercised control over the Network18 Group, which was noted by the CCI in its order dated May 28, 2012.[56]

Second, avoid consolidation of accounts. RIL investing directly into the Holding Companies would require it to consolidate the accounts of each of the companies under the Network18 Group in its books, upon the conversion of the ZOCDs into equity shares. This may not have been preferred since the Network18 Group was still incurring losses.[57]

IV. Why did IMT use ZOCDs as an instrument to invest in the Holding Companies?

IMT could have used any instrument to invest in the Holding Companies- equity shares, non-convertible debentures, preference shares, etc. The rationale for using ZOCDs can be explained for the following reasons.

First, ZOCDs provided IMT the flexibility to convert into equity shares of the Holding Companies as per its convenience. As per the terms agreed under the ZOCD transaction documents, the ZOCDs could have been converted into equity shares at any time, at the sole discretion of IMT, within a period of 10 (ten) years. This gave IMT the flexibility to take control of the Network18 Group, at its discretion.

Second, if IMT acquired equity shares or any other instrument which was compulsorily convertible into equity shares, it would result in diluting Raghav's shareholding in the Holding Companies. Additionally, considering the ZOCDs converted into 99.9% shares of the Holding Companies, any instrument that IMT subscribed to would have had to provide it the same extent of control. Acquisition of such stake would also have triggered the open offer obligations at that stage.

Third, the terms of the ZOCD issuance clarify that the ZOCD holders have the option of requiring the Holding Companies to redeem the ZOCDs. In the event that it was decided (with the consent of IMT) that the stake in Network18 and/ or TV18 was to be divested by the Holding Companies, IMT would have the option to require the Holding Companies

54. http://www.rediff.com/business/slide-show/slide-show-1-why-the-ril-network18-deal-was-delayed-for-30-months/20140704.htm#3
55. http://www.ril.com/downloads/pdf/PR03012012.pdf
56. Order in relation to Combination Registration No. C-2012/03/47 http://www.cci.gov.in/May2011/OrderOfCommission/CombinationOrders/C-2012-03-47.pdf
57. http://network18online.com/reports/Financial%20Results/Annual%20Reports/Annual%20Report%202011-12.pdf

to redeem the ZOCDs from the proceeds of the sale. This provided the flexibility which none of the other instruments would have probably provided.

Lastly, while investment into ZOCDs would have triggered notice obligation under section 6 of CA 2002 (as explained above), the open offer obligations under Takeover Code are not triggered by investment into convertible instruments, as the definition of shares does not include such instruments, which may give the holder voting rights in future.

V. Why did IMT acquire the equity shares of the Holding Companies and RBHPL from Raghav and Ritu? Why did IMT not convert the ZOCDs held by it in the Holding Companies?

It is unclear as to why IMT did not choose to convert the ZOCDs of the Holding Companies, but acquire the outstanding equity shares from Raghav and Ritu. However, some possible reasons could have been the following:

First, since it was a friendly takeover, it was probably the only option available to provide Raghav and Ritu cash for handing over the Network18 Group. If IMT had converted, the control of Raghav and Ritu would have been diluted substantially.

Second, if Raghav and Ritu were not in favor of ceding control over their empire without any cash out, the entire scheme of conversion and acquisition would have been akin to a hostile acquisition. It seems likely that the valuation at which the conversion happened would have been challenged by Raghav and Ritu and court battles would have ensued.

Third, even if IMT could manage to convert its ZOCDs into a majority of the equity shares of the Holding Companies, DCPL would have continued to remain as a trustee of IMT. Although the majority of the board of trustees was controlled by the Reliance Group, removing DCPL would have been the preference for the Reliance Group to avoid any bad publicity.

Lastly, the process of acquiring control over the entire group would have been much more cumbersome and lengthy, as opposed to a smooth transition, which has been noticed over the last few months.

VI. Did the acquisition of shares of the Holding Companies by IMT from Raghav and Ritu in 2014 require the approval of CCI ?

As per the CCI order dated May 28, 2012, CCI had held that by subscribing to the ZOCDs, which could convert into 99.99% equity shares of the Holding Companies, IMT acquired control over the Holding Companies. Accordingly, it seems that the approval of CCI was not required under CA 2002.

However, the CCI order in 2012 was unclear if the Holding Companies were controlled solely by IMT (post investment of the ZOCDs) or jointly by IMT and Raghav and Ritu. Accordingly, it is ambiguous if the Deal could be seen as a transfer of control from joint to sole and hence whether CCI approval was required.

VII. Did the acquisition of shares of the Holding Companies by IMT from Raghav and Ritu in 2014 require an open offer obligation under the Takeover Code?

Under the Takeover Code, the acquisition of shares of any entity or company, which would enable the acquirer to exercise such percentage of voting rights in, or control over, a target company, the acquisition of which would otherwise attract the obligation to make a public announcement of an open offer for acquiring shares under these regulations, an open offer to the public shareholders would be required.

By virtue of acquisition of the equity shares of the Holding Companies, IMT acquired control over Network18, TV18 and Infomedia. Accordingly, an open offer had to be made by IMT along with the PACs for Network18, TV18 and Infomedia.

VIII. How were the Acquirers able to take control of the Targets prior to the consummation of the Open Offer?

The Acquirers had entered into an escrow agreement on May 30, 2014 for opening an escrow account in accordance with Regulation 17 of the Takeover Code. On June 30, 2014, RIL, on behalf of IMT deposited 100% of the consideration for the open offer (assuming a 100% tender) into the escrow account, in accordance with Regulation 22 of the Takeover Code. As per Regulation 22, the Acquirer may proceed to complete the transaction if 100% of the consideration (assuming 100% tender) has been deposited in the escrow and at least 21 days have passed since the publication of the detailed public statement.

As mentioned, the consideration was deposited on June 30, 2014, and the detailed public statement was made on June 5, 2014. Accordingly, the Acquirers proceeded to complete the acquisition of the shares of the Holding Companies on July 7, 2014.

IX. Why was Shinano considered a deemed PAC?

Shinano, which was effectively 100% owned by RIIHL was a deemed PAC along with the Acquirer for the Deal as per Regulation 2(1)(q)(2)(i) of the Takeover Code. Shinano held approximately 4.95% and 4.98% of the equity shares of Network18 and TV18 from March 2013.[58]

58. http://www.bseindia.com/corporates/ShareholdingPattern.aspx?scripcd=532800&flag_qtr=1&qtrid=77.00&Flag=New

6. Tax Considerations

I. What was the tax implication on Raghav and Ritu pursuant to the sale of the Holding Companies?

Raghav and Ritu would be subjected to capital gains tax under the ITA for the sale of the equity shares of the Holding Companies i.e for the amount of consideration received for the sale of the equity shares in excess of the price paid by them for the acquisition of the respective shares. If the shares are held by them for a period in excess of 36 months, the gains would be taxed as long term capital gains. However, if the period of holding of the shares is 36 months or less, Raghav and Ritu would be subjected to short term capital gains tax. Accordingly, if the shares were acquired by Raghav and Ritu prior to July 7, 2011, the capital gains attracted would be long term capital gains.

Additionally, Raghav and Ritu, being residents would also be entitled to indexation benefits under section 48 of the ITA.

II. What is the tax implication in the hands of public shareholders for the tendering of shares in the Open Offers?

The public shareholders of the Network18 Offer Shares, TV18 Offer Shares and Infomedia Offer Shares would be subjected to capital gains tax on the sale of the equity shares held by them in Network18, TV18 and Infomedia, respectively. If the public shareholder held shares for a period of 12 months or less, it would be taxable as short term capital gains, while if shares were held for a period longer than 12 months, it shall be taxable as long term capital gains.

III. Would there be any implication on IMT under section 56 of the ITA for the acquisition of the shares of the Holding Companies by IMT?

Under section 56 of the ITA, if any company or firm receives property, being the shares of a company at a consideration below the fair market value of the shares[59], the difference between the consideration and the fair market value would be taxed in the hands of the acquirer.

However, as mentioned above, the tax implication under section 56 (2)(viia) would be applicable only where the recipient is a 'firm or a company'. The language does not include a trust and accordingly a view can be taken that since the recipient in this case is a trust, the section would not be attracted, and there would be no section 56 implication. However, it is not clear what view the tax authorities will take in this regard, and they may still hold that section 56 is applicable since the trustees comprised a company and individuals acting on behalf of the trust.

59. To be calculated in accordance with the mechanism provided under the ITA and the corresponding rules

7. Epilogue

The takeover of the Network18 Group by the Reliance Group marks a new beginning in the media industry. While it is too early to state whether the acquisition of the Network18 Group would be the 'death of media independence', as has been claimed by various quarters[60], it is clear that acquiring the biggest media company in the country, that too an undervalued group is another feather in the cap for the Reliance Group. It is to be seen whether the Network18 Group and the Reliance Group will be able to achieve what the CNBC TV18 catch line succinctly aims at:

"*Triumphs Behind. Triumphs Ahead*"

60. http://www.forbes.com/sites/meghabahree/2014/05/30/reliance-takes-over-network18-is-this-the-death-of-media-independence/

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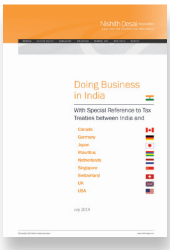

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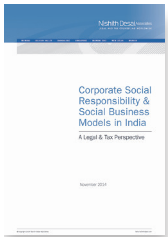

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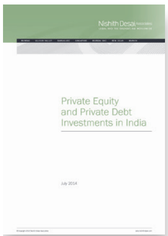

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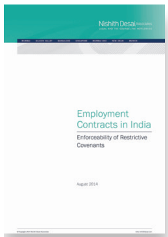

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