

IN THE NATIONAL COMPANY LAW TRIBUNAL,
MUMBAI BENCH

CSP NO. 762 OF 2017
AND
CSP NO. 750 OF 2017

Under Section 230-232 of the Companies Act, 2013

In the matter of the Scheme of Arrangement between
RELIANCE MEDIAWORKS LIMITED, the
demerged Company and RELIANCE COMMERCIAL
FINANCE LIMITED, the resulting Company.

RELIANCE MEDIAWORKS LIMITED

....Petitioner/ the Demerged Company

AND

RELIANCE COMMERCIAL FINANCE LIMITED

....Petitioner/ the Resulting Company

Judgement/ order delivered on 18th October, 2017

Coram:

Hon'ble B.S.V. Prakash Kumar Hon'ble Member (J)

Hon'ble V. Nallasenapathy Hon'ble Member (T)

For the Petitioner(s): Ms. Alpana Ghone, Counsel, along with Mr. Rajesh Shah
with Mr. Ahmed M Chunawala i/b M/s. Rajesh Shah & Co.,
Advocate for the Petitioner.

Per : B.S.V. Prakash Kumar Hon'ble Member (J)

ORDER:

1. Heard the learned Counsel for the Petitioner Companies. No objector has come before the Tribunal to oppose the Petitions and nor any party has controverted any averments made in the Petitions.
2. The sanction of the Tribunal is sought under Sections 230 to 232 of the Companies Act, 2013, to the Scheme of Arrangement between Reliance

MediaWorks Limited (“RMW” or “The Demerged Company”) and Reliance Commercial Finance Limited (“RCFL” or “The Resulting Company”) and their respective shareholders (“Scheme”).

3. The Counsel for the Petitioners submit that the Background and rationale for the scheme are as under –

Reliance MediaWorks Limited (‘RMW’)

- a) Reliance MediaWorks Limited was incorporated as Adlabs Films Private Limited on November 30, 1987. The name of the company was changed to Adlabs Films Limited on January 25, 2006 and to Reliance MediaWorks Limited on October 5, 2009. The company was engaged in the business of processing of films and film exhibition (multiplexes) business consisting of various theatres. The company also forayed into media ventures business, consisting of broadcasting of a radio channel, production and distribution of movies and television content. Under this venture, the company operated a radio channel (Big FM) and produced several television shows and movies
- b) In line with the technological developments, the company started a new venture – offering cutting edge VFX production facilities to Indian and international producers through studios in Los Angeles, Mumbai and London.
- c) To unlock value for the shareholders, the radio business of the company was demerged. Subsequently, in 2015, the company transferred its film and media business (film processing, distribution and production of movies and TV business) to Prime Focus Limited. The company also transferred the film exhibition business (multiplexes business) to Carnival Cinemas in the same year. The company has retained two multiplexes in Mumbai – one at R-Mall, Mulund and the other at Wadala, and is earning rental income from leasing of such properties. The company has also given advances to group companies, on which it earns interest income.

- d) At present, the company owns the theatres (as mentioned above) and provides advisory services in relation to the distribution and production of movies and television content, by utilizing the experience and expertise available with the company due to forays in such businesses earlier.
- e) The company has long term liabilities exceeding Rs 2,500 crores and is paying interest on the said amount. The company is incurring losses annually, as the income generated from the businesses is not sufficient to offset the interest cost associated with the borrowings. The company is also in the process of converting its long term liabilities into preference share capital.
- f) As the company is unable to carry on businesses profitably, and is facing a severe crunch in terms of cash flows and debt serviceability, the company proposes to transfer the assets and liabilities pertaining to the Lease Rentals Business including receivables and advances to group companies and proportionate liabilities of the company. The divestment of the Lease Rentals Business would enable the company to reduce the quantum of borrowings and the associated interest cost. The demerger would enable the company to limit its losses and to maintain an asset-light business model for the advisory business.

**Reliance Commercial Finance Limited (“RCFL”), formerly known as
Reliance Gilts Limited**

- g) RCFL is amongst the leading SME lenders in the Indian non-banking finance space. It is engaged in providing wide range of products which include SME loans, Loans against property, Infrastructure Financing, Agriculture Loans and Supply chain financing. In FY 2016-17, the company has acquired the commercial finance business from Reliance Capital Limited, its holding company. The company is looking to increase its leasing and financing portfolio, and thus proposes to acquire the Lease Rentals Business of RMW along with proportionate liabilities.

4. The Counsel for the Petitioners state that the Board of Directors of the Petitioner Companies in their respective Board meetings have approved the said Scheme of Arrangement which are annexed to the respective Company Scheme Petitions.
5. The Counsel appearing on behalf of the Petitioners further states that the Petitioner Companies have complied with all the directions passed in Company Scheme Application and that the respective Company Scheme Petitions have been filed in consonance with the orders passed in Company Scheme Application.
6. The Counsel appearing on behalf of the Petitioners further states that the Petitioner Companies have complied with all requirements as per directions of this Tribunal and they have filed necessary affidavits of compliance in the Tribunal. Moreover, the Petitioner Companies through their Counsel undertakes to comply with all statutory requirements if any, as required under the Companies Act, 1956 / 2013 and the Rules made there under whichever is applicable. The said undertakings given by the Petitioner Companies are accepted.
7. The Regional Director has filed an Report dated October 14, 2017, inter-alia, stating therein, save and except as stated in paragraph IV(1) to (4), it appears that the Scheme is not prejudicial to the interest of shareholders and public. In paragraph IV of the said Report it is stated that:

1 The tax implications if any arising out of the scheme is subject to final decision of Income Tax Authorities. The approval of the scheme by this Hon'ble Tribunal may not deter the Income Tax Authority to scrutinize the tax return filed by the transferee Company after giving effect to the scheme. The decision of the Income Tax Authority is binding on the petitioner Company.

- 2 *It is submitted that the Petitioner Companies have submitted the proof of serving notice upon the Income Tax Authorities dated 13.07.2017. This office has issued reminder dated 09.10.2017.*
- 3 *Petitioner demerged company inter alia into the business of media ventures business, consisting of broadcasting of a radio channel, production and distribution of movies and television content. Under this venture, the company operated a radio channel (Big FM) and produced several television shows and movies. And therefore have to undertake to issue the notice to Ministry of Information and Broadcasting under section 230(5) of the Companies Act, 2013.*
- 4 *ROC, Mumbai in their report dated 12.10.2017 inter alia mentioned in point no. 31 that resulting company (unlisted) will issue consideration as shares to thousands of shareholders of demerged company (delisted)*
8. In response to above observations of the Regional Director, the Petitioner Companies have filed respective affidavits in reply dated 17th October, 2017 dealing with the observations made by the Regional Director.
9. In so far as observations made in paragraph IV (1) of the Report of Regional Director are concerned, the Counsel for the Petitioners submit that the Petitioner Companies undertake to comply with all applicable provisions of the Income-tax Act 1961 and all income-tax issue arising out of the Scheme will be met and answered in accordance of law.
10. In so far as observation made in paragraph IV (2) of the Report of Regional Director is concerned, the same is self-explanatory.
11. In so far as observation made in paragraph IV (3) of the Report of Regional Director is concerned, the Demerged Company states that it had demerged its radio business to Reliance Broadcast Network Limited with effect from June 30, 2009 and film and media business (i.e. film processing, distribution and production of movies and television business) to Prime Focus Limited in 2015. The Demerged Company states that at present, the Demerged Company is not

engaged into any of these businesses. Thus, the Demerged Company submits that at present it is not governed by Ministry of Information and Broadcasting and hence, it is not required to issue notice under section 230(5) of the Companies Act, 2013 to Ministry of Information and Broadcasting. The said explanation found to be satisfactory.

12. In so far as observation made in paragraph IV (4) of the Report of Regional Director is concerned, the Petitioner Companies undertake to comply with the provisions of clause 2.2 of the scheme.
13. In reply to the observation raised in para 32 of ROC report which is annexed to Regional Director report, the petitioner company has filed the Auditor's certificate in Company scheme application of demerged company as an Exhibit – F and in Company scheme application of resulting company as an Exhibit – F, certifying that the accounting treatment proposed in the scheme of arrangement is in conformity with the accounting standards prescribed under section 133 of the Companies Act, 2013 (as amended from time to time).
14. The observations made by the Regional Director have been explained by the Petitioners in paragraphs 9 to 13 above. The clarifications and undertakings given by the Petitioner Companies are hereby accepted.
15. From the material on record, the Scheme appears to be fair and reasonable and does not violate any of the provisions of law and is not contrary to public policy.
16. Since all the requisite statutory compliances have been fulfilled, Company Scheme Petition No.750 of 2017 and 762 of 2017 has been made absolute in terms of prayer of the petitions mentioned therein.
17. The Petitioners are directed to file a copy of this order along with a copy of the Scheme of Arrangement with the concerned Registrar of Companies, electronically, along with E-Form INC-28 within 30 days from the date of issuance of the order by the Registry.

18. The Petitioner Company to file a copy of this order and the Scheme duly certified by the Deputy Director, National Company Law Tribunal, Mumbai Bench, with the concerned Superintendent of Stamps for the purpose of adjudication of stamp duty payable, if any, on the same within 60 days from the date of receipt of the order.
19. The Petitioner Companies to pay costs of Rs.25,000/- each to the Regional Director, Western Region, Mumbai within four weeks from the date of the receipt of the order.
20. All authorities concerned to act on a certified copy of this order along with Scheme duly certified by the Deputy Director, National Company Law Tribunal, Mumbai Bench.
21. Any person interested shall be at liberty to apply to the Tribunal in the above matter for any direction that may be necessary.

Sd/-

V. Nallasenapathy, Member(T)

Sd/-

B.S.V. Prakash Kumar, Member (J)