FORM IV

Disclaimer
Under Section 29(2) of the Competition Act 2002, the Competition Commission of India, if it is of the prima facie opinion that the combination has, or is likely to have, an appreciable adverse effect on competition, shall direct the parties to the said combination to publish details of the combination for bringing it to the knowledge or information of the public and persons affected or likely to be affected by such combination. In accordance with the provisions of Section 29(2) of the Act, the Hon'ble Commission requires PVR Limited and DT Cinemas to publish details of the proposed combination. The contents given herein do not represent in any manner the views of the Commission and do not prejudice the view that the Commission may take of the proposed combination. The Commission is not responsible for any incorrect or misleading information contained herein.

Details of combination under subsection (2) of Section 29 of the Competition Act, 2002

I. The Competition Commission of India ("Commission") is investigating into the combination between *PVR Limited*, having its principal place of business at 4th Floor, Building No. 9A, DLF Cyber City, Phase – III, Gurgaon, India and *DT Cinemas*, having its corporate office at 12th Floor, DLF Gateway Tower, DLF City, Phase – III, Gurgaon – 122002, India.

II. The details of the combination in the form of the summary, as provided by the parties to the combination under column 1 of Form II are as under:

2.1 Introduction / Parties to the Combination

2.1.1 The present combination relates to the proposed transaction which will result in the acquisition by PVR Limited (**"PVR"/ "Acquirer"**) of an undertaking of DLF Utilities Limited ("**DUL**") which houses the business of film exhibition (**"Target Business"/ "DT"**), as a going concern/running business by way of a slump sale (as defined under Section 2 (42C) of the Income Tax Act, 1961. The acquisition is pursuant to an agreement dated 9 June 2015 (**"Trigger Document"**) entered into between the Acquirer and DUL to acquire the Target Business (**"Proposed Combination"**).

2.1.2 The Acquirer is a public company registered under the Companies Act, 1956 and is engaged in the business of developing, operating and managing cinema theatres for the purposes of providing entertainment to the public throughout India. The Acquirer's equity shares are listed on the Bombay Stock Exchange ("**BSE**") and National Stock Exchange ("**NSE**").

2.1.3 The film exhibition division of DUL, i.e. DT, is housed in DUL itself. DUL is an indirect subsidiary of DLF Limited and is a part of the DLF Limited Group (**"DLF Group"**) which is engaged in the business of providing and maintaining commercial office and retail properties, electricity generation and distribution, development of real estate viz. residential and commercial spaces, marketing and advertising in commercial and retail properties, operating and maintaining cinema theatres/multiplexes for the purposes of providing entertainment to the public throughout India. DUL ventured into the film exhibition business in 2003 with the start of their first multiplex in DLF City Centre, Gurgaon. Presently DT has 8 existing properties with 29 screens in the Delhi/National Capital Region (NCR) and Chandigarh.

2.2 Nature of the Proposed Combination

2.2.1 The Proposed Combination, involves the acquisition of 39 cinema screens (29 existing and 10 upcoming) of DUL by the Acquirer together with infrastructure and operations associated with these cinema screens.

PVR

2.2.2 The acquisition of the Target Business is in pursuance of the Acquirer's core strategy to offer a world class cinema experience to Indian consumers at affordable prices; and is in line with the Acquirer's strategy to expand its film exhibition business both organically as well as inorganically to achieve economies of scale which is critical in the cinema exhibition industry.

DUL

2.2.3 From DUL's perspective, the Proposed Combination is in line with the intention of the DLF Group to exit non-core businesses. It must be noted that the DLF Group would have made efforts to sell the Target Business irrespective of the Proposed Combination on account of the intention of the DLF Group to sell its non-core business. Separately, the presence of a dedicated and reputed film exhibitor such as the Acquirer in commercial properties/ malls owned by the DLF Group would ensure that the appeal/ desirability of such commercial properties/ malls is maintained on an on-going basis.

2.3 The areas of activities of the parties to the combination

PVR

2.3.1 PVR commenced operations in the cinema exhibition business in 1997 and currently operates a cinema circuit comprising 477 screens in 107 properties in 44 cities across India. A list of existing PVR cinemas in Delhi NCR and Chandigarh is provided as: (i) Delhi NCR- PVR Saket, PVR Priya, PVR Naraina, PVR Vikaspuri, PVR MGF Gurgaon, PVR Faridabad, PVR Plaza, PVR EDM, PVR Rivoli, PVR Sahara Gurgaon, PVR Prashant Vihar, PVR Select City Walk, PVR Ambience Gurgaon, PVR Director's Cut, PVR 3C's, PVR Sangam, PVR Mahagun, PVR Opulent; and (ii) Chandigarh- PVR Chandigarh, PVR Elante, PVR Mohali. In addition, the Acquirer has five subsidiaries in India: (a) PVR bluO Entertainment Limited, (b) PVR Leisure Ltd., (c) PVR Pictures, (d) Lettuce Entertain You Limited; and (e) Zea Maize Private Limited.

(i) **PVR bluO**: It runs 6 bowling centres in India under the brand name "bluO".

(ii) **PVR Leisure**: It owns and operates in-mall entertainment, gaming, and food joints.

(iii) **PVR Pictures**: It is engaged in film distribution of non-studio/ independent international films in India. It is also known for cultivating and spreading international movie culture across India and supports independent filmmakers under the banner of 'Directors Rare'.

(iv) **Lettuce Entertain You Limited**: It operates two dining restaurants Mistral in Delhi (Directors Cut, Vasant Kunj) and Mr. Hong in Bangalore (Orion Mall, Rajaji Nagar).Lettuce is a wholly owned subsidiary of PVR Leisure Limited.

(v) **Zea Maize Private Limited:** It is in the business of manufacturing and selling gourmet popcorn through its own outlets and institutional suppliers.

DUL

2.3.2 DUL ventured into the film exhibition business in 2003 with the start of their first multiplex in DLF City Centre, Gurgaon. Presently DT has 8 existing properties with 29 screens in the Delhi/National Capital Region (NCR) and Chandigarh. Therefore, DT comprises 29 existing cinema screens together with infrastructure and operations associated with these screens. A list of DT properties in Delhi NCR and Chandigarh is provided as: (i) Delhi NCR- DLF Place Saket, DLF Promenade Vasant Kunj, DLF City Centre Mall Shalimar Bagh, DT GK II, DT City Centre Gurgaon, DT Mega Mall Gurgaon, and DT Star Mall; and (ii) Chandigarh - DT City Centre. Further, DUL is in the process of developing two additional properties in Delhi NCR with 10 screens which are also being transferred as part of the Proposed Combination i.e., DT Chanakyapuri and DT Mall of India, Noida.

2.3.3 DUL has three wholly owned subsidiaries which are engaged in real estate and other activities and not engaged in the business of film exhibition in India[1]. It is clarified that the real estate, power and facility management businesses of DUL are not being transferred. Under its film exhibition vertical, DUL also operates rental business at Mega Mall food court; Cyber Green food court, and DT Café operations at Cyber Hub, Cyber City, Gurgaon, Haryana. It is clarified that all these businesses also do not form part of the Proposed Combination.

2.4 The market(s) (including its structure and state of competition) in which the combination will have or is likely to have an impact.

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[1] Ariadne Builders & Developers Private Limited is engaged in real estate activities, Hyacintia Real Estate Developers Private Limited is engaged in real estate activities and DLF Energy Private Limited, currently holds a power trading license

Relevant product market

2.4.1 Both Parties are active in the provision of film exhibition services in India and associated services. The Acquirer submits that the relevant product market is the market for exhibition of films through theatres since the experience of watching a film at a theatre may be considered as distinct from the experience of watching it at home. The Acquirer submits that the market for exhibition of films through theatres includes both single screens and multiplexes since they both provide the same service – exhibition of films; there is no clear distinction between the quality of service and facilities provided at single screens compared to multiplexes in Delhi NCR; and single screens can and are being converted into multiplexes.

Relevant geographic market

2.4.2 Given the extent of overlap between the Parties, the Acquirer submits that the two relevant geographic markets can be defined for the purpose of the Proposed Combination as – Chandigarh and Delhi NCR. The Acquirer submits that the existence of a porous border between Delhi and the adjoining NCR regions, the increased connectivity and improvement in transport facilities in this region (particularly the Delhi Metro) suggest that Delhi NCR is a single relevant geographic market. For the purpose of assessment, the Acquirer has also defined alternate geographic markets at the city level where there is an overlap between the Parties (current and potential) - Chandigarh, Delhi, Gurgaon, and Noida.

2.5 Information with reference to sub-section (4) of Section 20 of the Competition Act, 2002.

Actual and potential level of competition through imports in the market

2.5.1 The Acquirer submits that in the market for film exhibition through theatres in the alternate relevant geographic markets of Delhi, Gurgaon and Noida, competition exists from theatres in the nearby NCR regions. For instance, in case of Delhi, given the ease of travelling within the NCR region, theatres in the Delhi compete with theatres in Noida, Ghaziabad, Faridabad, and Gurgaon since consumers from these regions travel to Delhi and consumers from various regions of Delhi often travel to theatres in these regions to watch films. For instance, consumers in East Delhi may watch films in theatres in Ghaziabad, consumers in areas of Delhi such as Okhla or New Friends Colony may visit theatres in Noida, and consumers in areas such as Vasant Kunj may watch films in theatres in Gurgaon. Similarly, in case of Gurgaon and Noida - consumers may choose to watch a film in Delhi or in these regions, which implies that there is competition in these relevant markets from the services provided by the theatres in the other regions.

Extent of barriers to entry into the market

2.5.2 Barriers to entry can be regulatory in nature. The regulatory approval process for theatres is a state subject which is controlled by local municipalities, and the time taken for the licensing process is about 3-6 months. Thus, the Acquirer submits that the regulatory barriers to entry into the market for exhibition of films through theatres are not prohibitively high. It is further submitted that the barriers to entry in the form of investment cost also are not high in the market since this market is not like heavy manufacturing or mining which require high initial investment. To set up a new screen, it costs approximately Rs. 2.5 - 4 crore, and for a multiplex, this cost gets approximately multiplied based on the number of screens (excluding the cost of land). According to industry experts, the cost of converting a single screen into a multiplex may be considered the same as the cost of building a new screen, i.e. 2.5 – 4 crore, moreover, the fact that since 2002, 100% foreign direct investment (FDI) is permitted into the film industry including film exhibition will result in entry of foreign exhibitors. Additionally, the fact that the real estate is often leased and not bought, further suggests that the barriers to entry in terms of land acquisition cost is not high in this market. The only potential barrier to entry into the market could be access to real estate. However, in the NCR regions: Delhi, Gurgaon, Noida, Ghaziabad, and Faridabad, access to real estate is not a major issue. Additionally, even in a market where real estate is limited, it does not necessarily imply that it is a barrier to entry as existing commercial property may be redeveloped into malls or theatres. For instance, the old Sapna Cinemas was renovated into M Cinemas in Delhi[2]. The Eros cinema in Jangpura and Satyam, Nehru Place have been renovated by Inox in Delhi. The old Alankar Cinema in Lajpat Nagar was completely renovated and opened as 3C's in 2002[3]. Similarly, Savitri Cinema in Delhi which was shut down for a few years was rebuilt and reopened by DT as a plush single screen theatre.

2.5.3 The Acquirer submits that there are various operators who are in the process of entering the relevant markets. The absence of high barriers to entry into the market and the resulting fluctuations in future market shares of the operators suggest that the Proposed Combination will not result in an AAEC.

<u>Level of Combination in the market</u>

2.5.4 Despite being the largest global market in terms of the number of films produced annually (close to 1,250 films/year) and the second largest in total yearly footfalls (about 1.9 billion footfalls in 2013), the screen density in India is quite low compared to global standards[4]. According to the FICCI KPMG Report, due to the low screen penetration, India has the potential to significantly increase the number of existing multiplex screens in the country over the next decade without causing an oversupply of screens. This has lead industry players in the film exhibition market to adopt both organic and inorganic growth strategies to bridge the large screen deficit. Besides acquisition of pre-existing infrastructure for film exhibition, many exhibitors are investing in organic expansion. The year 2014 saw the entry of Carnival

[2] M cinemas Website http://mcinemas.co.in/about-us (accessed 23 June 2015)

[3] Siddiqui F.A (September 2012). *Romance* of *Single Screens*. The Hindustan Times. Retrieved from http://www.hindustantimes.com/bollywood/romance-of-single-screens/article1- 926257.aspx (accessed 23 June 2015)

[4] Independent Equity Research Report undertaken by CRISIL in May 2015 ("**CRISIL Report**") page 4.

Cinema through three major acquisitions - HDIL Broadway (33 screens), Reliance owned BIG Cinemas (238 screens), and Stargaze Entertainment from Network18 Media (30 screens)[5]. Other prominent acquisitions in the past years have included Inox Leisure Ltd. acquiring Satyam Cinemas (38 screens), Inox's acquisition of Fame India Limited and Cinepolis acquiring Fun Cinemas (83 screens)[6].

2.5.5 In case of the relevant markets of Delhi/NCR and Chandigarh and the alternate relevant market of Delhi, it is seen that the market is un- concentrated before and after the Proposed Combination is given effect. In the alternate market of Gurgaon, the market is moderately concentrated at present and concentrated after the Proposed Combination is given effect and on account of the entry of players such as Cinepolis (which is expected to garner a 30 % - 35% market share by the year 2019). Similarly, in the alternate relevant market of Noida, the market is moderately concentrated at present and after the Proposed Combination is given effect. It must be noted that at present, the Parties do not operate any theatre in Noida.

<u>Degree of countervailing power in the market</u>

2.5.6 The Acquirer submits that at the upstream level, the Proposed Combination will not provide PVR with any additional market power in terms of the relationship with film distributors since the latter work on a non-exclusive basis and the revenue sharing is also same across all distributors. Moreover, distributors are concerned with the number of screens with the exhibitors at the national level, presently the increase in number of screens with PVR as a result of the Proposed Combination is marginal (an addition of just 39 screens with 9,195 seats). Further, upstream suppliers, i.e., film producers and distributors have significant power – they control the content. The Acquirer submits that in the downstream market, the consumers can choose between various competing theatres especially since the extent of brand loyalty among consumer is limited and there is no switching cost involved. Moreover, the fact that only a few films out of all films released in a year generate most of the box office revenue indicates that consumers are discrete and do not necessarily go to theatres to watch all films on offer. Film exhibition is one of the modes of entertainment and competes with other modes of entertainment. It is submitted that the individual's decision to watch a film in a theatre is guided first by the vast array of other entertainment options (includes other modes of watching movies) and second by the choice of what is on offer.

<u>Likelihood that the combination would result in the parties to the combination being able to significantly and sustainably increase prices or profit margins.</u>

2.5.7 The prices of tickets in Delhi and Chandigarh are regulated. In Delhi, ticket prices have to be approved by the licensing authority in order to ensure that consumers are not adversely affected by the price increase. Moreover, the price of tickets cannot be revised more than twice in a year. Also, the price of tickets in the city cannot be revised without the licensing authority's

[5] Combination Registration Number C-2015/01/236.
[6] FICCI KPMG Report, page 64.

approval. Further, there is a control on ticket prices in theatres based on the facilities provided (categories) and show timings. Additionally, the Acquirer submits that the competitive pressure exerted by existing and anticipated competition to PVR in all the markets, and the competitive pressure exerted by the various alternative modes of watching films and the fact that film watching is a discretionary spend and not a necessity will ensure that the Proposed Combination does not result in an adverse effect on competition.

2.5.8 The Acquirer submits that the Proposed Combination does not confer upon the Acquirer the ability to either increase the prices or decrease the quality of services offered without directly resulting in a reduction in occupancy and footfalls in its theatres. If as a result of the Proposed Combination, any attempt is made to increase price or reduce quality of service offered, consumers are likely to shift to other theatres or other modes of watching films and even other leisure activities/entertainment services, which, as stated above, would lead to a reduction in footfalls which will further adversely affect its non-ticket revenue streams (food and beverages and advertising) since these streams of revenue depend on the footfall.

2.5.9 Specifically, any decline in the sale of tickets (which contributed to about 57% of PVR's revenue in 2013-14) will have a direct influence on the total revenue from the sale of food and beverage and advertising – contributing to 24% and 11% of the total revenue. In other words, 92% of the Acquirer's revenue is dependent on footfall which indicates the importance of consumers in the market, particularly given that there is no switching cost involved for the consumers. Thus, the Acquirer submits that even after the Proposed Combination, PVR will not be able engage in any activities that will harm consumers since the consumers have the option of choosing other activities/modes of watching the film and are not forced to go to PVR.

<u>Extent of effective competition likely to sustain in a market</u>

2.5.10 The Acquirer submits that in the future, the share of PVR's competitors is expected to increase with Cinepolis being a major competitor in almost all the markets. Players such as Carnival and Cinepolis have emerged as major national cinema operators as a result of both organic and inorganic growth by way of consolidations Therefore, the Acquirer submits that in all the relevant markets, the Parties would be subject to competitive pressure from other cinema exhibitors Thus, the Proposed Combination will not result in any foreclosure of competition and effective competition will exist in the market suggesting that there will be no AAEC.

<u>Extent to which substitutes are available or are likely to be available in the market.</u>

2.5.11 The Acquirer submits that there are various competing substitutes to exhibition of films through theatres. These substitutes can be defined at two levels – other leisure activities and other modes of watching films. In case of leisure activities, the consumer chooses from various alternatives such as watching shows / films / sporting events on television, family outings, shopping, eating in restaurant, engaging in physical fitness activities, etc. The cost of watching films for consumers through the alternate modes is generally lower than watching a film in a theatre. Moreover, with the advent of technology and rampant piracy, good quality pirated copies of newly released films are available for sale within a day or two of the release at cheaper rates.

Market share, in the relevant market, individually and as a combination

Relevant Markets

2.5.12 **Delhi NCR**: There are presently approximately 50 cinema operators other than PVR and DT, operating in this market, namely, Cinepolis; Inox; M2K; Movietime; Vishal Cinemas; Supreme Cinemas; Movie Palace; Delite; Amba Cinemas; Milan Cinemas; Sheila Cinemas; Aakash Cinemas; Batra Cinemas; Lokesh Cinemas; Samrat Cinemas; Liberty Cinemas; Carnival; Seble Cinemas; Golcha Cinemas; G3S Rohini; Wave; Moti Cinemas; Regal Cinemas; Q Cinemas; Ritz Cinemas; Hans Cinemas; Suraj; Gagan Cinemas; M Cinema Cinemas; Abhiskek Cinemas; SRS; Grand Cinemas; Payal; Spice; Kavita; MMX Multiplex; Satyam Ghaziabad; Meenakshi; Jam Shipra; Galaxy Multiplex; Movie World; Silver City; Laxmi, Ghaziabad; S.M. World; M4U; MSX Silver City; PM Cinemas Man Hattan Hall; Chaudhry Cinemas; Star X Cinemas; Neelam, which indicates the presence of competition in the market (also DT is not the Acquirer’s closest competitor in this market – INOX and Carnival with market share in the range of 5% - 10% are the closest competitors to PVR in this market). Presently, the Acquirer has a market share in the range of 15% - 20% and DT has a market share in the range of 5% to 10% in Delhi NCR in terms of seats. As a result of the Proposed Combination, PVR’s market share in terms of seats will be in the range of 20% - 25%.

2.5.13 **Chandigarh**: Currently, there are 13 cinema operators in Chandigarh, including the Parties namely, PVR; DT Cinemas; Cinepolis; Batra Cinemas; Inox; Suraj; Wave; Neelam; KC Palace Panchkula; Carnival; Piccadilly Square; Kiran Cinemas; Shivam, Zirakhpur. At present, PVR has a market share in the range of 25%- 30% and DT has a market share in the range of 0% - 5% in Chandigarh in terms of seats. As a result of the Proposed Combination, PVR’s market share in terms of seats will be in the range of 30% - 35%.

Alternate Relevant Markets

2.5.14 **Delhi**: There are at present, 32 cinema operators in Delhi namely, PVR; DT Cinemas; Cinepolis; Inox; M2K; Movietime; Vishal Cinemas; Supreme Cinemas; Movie Palace; Delite; Amba Cinemas; Milan Cinemas; Sheila Cinemas; Aakash Cinemas; Batra Cinemas; Lokesh Cinemas; Samrat Cinemas; Liberty Cinemas; Carnival; Seble Cinemas; Golcha Cinemas; G3S Rohini; Wave; Moti Cinemas; Regal Cinemas; Q Cinemas; Ritz Cinemas; Hans Cinemas; Suraj; Gagan Cinemas; M Cinema Cinemas; Abhiskek Cinemas. The market share of PVR is in the range of 15% - 20% and the market share of DT is in the range of 5% - 10%. As a result of the Proposed Combination, PVR's market share in terms of seats will be in the range of 25% - 30%. Accounting for the upcoming projects, it is expected that PVR will face strong competitive pressure in the market from other players including Cinepolis with a market share in the range of 10% - 15% as of 2019.

2.5.15 **Gurgaon**: There are at present, 7 cinema operators in Gurgaon namely, PVR; DT Cinemas; Inox; SRS; Grand Cinemas; Carnival; Payal. The market share of PVR is in the range of 30% - 35% and the market share of DT is in the range of 20% - 25%in terms of seats. The combined market shares after the Proposed Combination will be in the range of 50% - 55%. However, there are certain major upcoming theatres in this market including one theatre by PVR, three by Cinepolis and two by INOX. Thus, in the following years, after the Proposed Combination, PVR's combined market share in terms of seats is expected to decrease and will be in the range of 30% - 35% by 2019 with Cinepolis being a major competitor in this market with market share in the range of 30% -35%.

2.5.16 **Noida**: Presently there are 6 cinema operators in Noida namely, Wave; Carnival; Spice; Inox; Kavita; Movietime, with Carnival having the highest market share in the range of 25% - 30%, followed by Spice and Wave (with market share in the range of 20% - 25% each). The Acquirer and DT, both are currently not operating in this market and therefore, there is no overlap between the two in this market at present. Taking into consideration, the upcoming projects in this market, the parties' combined market share in terms of seats is expected to be in the range of 30% - 35% as of 2016.

2.5.17 **Chandigarh**: Currently, there are 13 cinema operators in Chandigarh, including the Parties namely, PVR; DT Cinemas; Cinepolis; Batra Cinemas; Inox; Suraj; Wave; Neelam; KC Palace Panchkula; Carnival; Piccadilly Square; Kiran Cinemas; Shivam, Zirakhpur. At present, PVR has a market share in the range of 25% - 30% and DT has a market share in the range of 0% - 5% in terms of seats in Chandigarh. As a result of the Proposed Combination, PVR's market share in terms of seats will be in the range of 30% - 35%.

2.5.18 Therefore, the Acquirer submits that on the basis of market shares, the Proposed Combination will not result in any appreciable adverse impact on the competition in the relevant market, particularly taking into consideration upcoming theatres in the market.

<u>Likelihood that the combination would result in the removal of a vigorous and effective competitor or competitors in the market</u>

2.5.19 The Acquirer submits that it would continue to face competitive pressure from various other cinema exhibitors in the market such as INOX, SRS, Carnival, Cinepolis, etc. In each geographic market, the Parties are subject to competitive pressure from at least 5 other competing operators. Also, the market shares of the major competitors in each of the relevant markets are expected to rise in the coming years. The extent of competition in the market is also highlighted by the variation in ticket prices across various theatres based on factors such as show timings, holiday versus working days, facilities available at the theatre, etc. The dynamic level of competition in this market is highlighted by the fact that cinema operators who are currently not present or are a small player in a market are being positioned to being a significant competitor in the market in the near future. For instance, in Gurgaon, although Cinepolis is not present in the market, however in the future, they are expected to be the largest player in this market.

Nature and extent of vertical integration in the market

2.5.20 In case of the Proposed Combination, since PVR Pictures is a film distributor, there is a vertical linkage between the Parties. It is submitted that PVR Pictures is not a major player in the film distribution market. Also, the revenue sharing agreement and the fact that the shelf-life of films has decreased, PVR Pictures as a distributor would want to maximize the number of screens in which its film is released implying that, even absent the non-exclusivity condition, they would have no economic incentive to not distribute (or delay in distributing) its film to other competing exhibitors in the downstream market. Another vertical integration resulting from the proposed combination is that Zea Maize, a subsidiary of the acquirer since April 2015, engaged in the supply of gourmet popcorns. It supplies gourmet popcorns to both parties. However, Zea Maize is a relatively small player in the market for gourmet popcorn and this vertical relation is insignificant and would not influence competition.

2.5.21 Further, the acquirer is currently a tenant of DLF with the former's corporate office located at DLF Cyber City. However, currently, none of PVR's theatres are located in properties owned by DLF. However, the Acquirer submits that given that after the Proposed Combination, DLF will operate as an independent entity from the Acquirer, there will be no adverse effect on competition in the market as a result of this vertical integration.

Possibility of a failing business

2.5.22 DT Cinemas in this case is a non-core business of DLF, and DLF has taken a strategic decision to divest its non-core business. This is not a relevant factor for the purpose of the assessment of the Proposed Combination.

Nature and extent of innovation

2.5.23 There is constant innovation by theatres which is important to create a brand value and attract consumers, not just from other theatres but also from other modes of watching films and other entertainment activities. PVR has been a leader in innovation in this industry being the first chain to install 2K, and then the first chain to upgrade to 4K. All screens of PVR are 100% digital and all theatres are 3D enabled and it has the largest deal with Dolby Atmos and strong partnerships with IMAX and 4DX. Therefore, even after the Proposed Combination, given the differentiated service provided by the various theatres and the consumers' constant demand for better experience, comfort, and quality, the Acquirer submits that innovation will not be restricted in the market.

Relative advantage and benefits from the proposed combination

2.5.24 The Acquirer submits that the Proposed Combination is expected to result in synergy benefits including operational and organizational rationalization which will result in optimum utilization of resources and cost reductions. Specifically, the combined entity will be able to benefit from economies of scale and apportion support cost (overheads and administrative and managerial costs) over a wider base of cinemas. This includes the cost of acquiring products such as food and beverages, the advertising cost for the Parties, and other associated benefits resulting from the increase in the scale of operations resulting from the Proposed Combination such as overhead expenses.

Benefits of the proposed combination outweigh its adverse impact

2.5.25 The Acquirer submits that the Proposed Combination is expected to result in synergy benefits including operational and organizational rationalization which will result in optimum utilization of resources and cost reductions. Specifically, the combined entity will be able to benefit from economies of scale and apportion support cost (overheads and administrative and managerial costs) over a wider base of cinemas. This includes the cost of acquiring products such as food and beverages, the advertising cost for the Parties, and other associated benefits resulting from the increase in the scale of operations resulting from the Proposed Combination such as overhead expenses. It is submitted that the Proposed Combination will not impact or limit consumer choice because due to the presence of various theatres in the market, and the absence of any switching costs or brand loyalty, consumers can and often do choose from a wide range of theaters in the market. The Acquirer submits that the Proposed Combination does not confer upon the Acquirer the ability to either increase the prices or decrease the quality of services offered without directly resulting in a reduction in occupancy and footfalls in its theatres. If as a result of the Proposed Combination, any attempt is made to increase price or reduce quality of service offered, consumers are likely to shift to other theatres or other modes of watching films and even other leisure activities/entertainment services, which, as stated above, would lead to a reduction in footfalls and thereby the theatre's revenue.

2.5.26 Therefore, In light of the above averments, the Acquirer submits that the Proposed Combination will not have any appreciable effect in the competition in India.

2.6 Expected time frame for completion of various stages of the Proposed Combination

2.6.1 The Proposed Combination will also be subject to applicable statutory and regulatory approvals and to the satisfaction of customary conditions precedent as provided under the Trigger Document, including, the receipt of approval from the Hon’ble Commission. The Parties expect to close the deal on or before 1 February 2016.

III. **In order to determine whether the combination has or is likely to have an appreciable adverse effect on competition in the relevant market in India, the Commission invites comments/ objections/ suggestions in writing, from any person(s) adversely affected or likely to be affected by the combination, to submit, in writing, as provided under sub-section (3) of section 29 of the Act, to be addressed to the Secretary, Competition Commission of India, the Hindustan Times House, 7th Floor, 18-20, Kasturba Gandhi Marg, New Delhi-110001, within fifteen working days from the date of this publication.**

IV. **The comments/ objections/ suggestions shall state:**

(a) **Name, address and contact details of the person(s) writing to the Commission, and**

(b) **With supporting documents, how such a person(s) is adversely affected or is likely to be affected by the combination, keeping in view the relevant provisions of the Act/ factors provided under sub-section (4) of Section 20 of the Act.**

(c) **The Commission is not likely to consider unsubstantiated objections.**