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# **DISNEY-RELIANCE MERGER: POWER, PROFIT, AND THE FUTURE OF INDIAN MEDIA**

AUTHORED BY - ANSHIKA SHAHI & AYANTIKA BHATTACHARYYA

## **ABSTRACT**

Imagine your TV screen, smartphone, or tablet lighting up with your favorite show or the thrill of a live cricket match—all thanks to a single media powerhouse that controls it all. This could soon become a reality with the Disney-Reliance merger, a deal that feels like the coming together of two entertainment giants that have been part of our daily lives in one way or another. The Reliance-Disney merger marks a transformative moment in India's media landscape, combining Disney's rich content with Reliance's technological reach. This deal will create a dominant force in entertainment, reshaping how millions of Indians consume content, from cricket streaming to general TV. While it promises innovation and growth, the merger raises concerns about market dominance and reduced competition. As regulatory bodies like the Competition Commission of India (CCI) review the deal, its long-term impact on consumers, competitors, and investors will be pivotal in shaping the future of India's entertainment industry.

## **THE RELIANCE-DISNEY MERGER**

Indian business tycoon Mukesh Ambani's Reliance's media unit Viacom18 is set to merge with Disney's Indian business in a mega-merger deal that will mark its entry as the largest player in the Indian \$28 billion media and entertainment market. The business leaders signed a deal in February whereby it is agreed that Reliance shall have a controlling interest in a combined entity. As per sources, the new subsidiary likely formed under Reliance as a result of this deal will absorb Disney's Star India through a share swap deal. The OTT service of both companies, i.e Reliance's JioCinema and Disney's Hotstar are the key considerations of the deal. As the deal enters in its final stages, an optimistic Bob Iger terms it as the "best of both worlds".<sup>1</sup> However, according to legal experts, the deal will have to undergo rigorous scrutiny

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<sup>1</sup> Tapanjana Rudra, *India Business Merger Deal With Reliance Is 'Best Of Both Worlds': Disney CEO*, Inc 42. 08 Mar'24 Available at [nc42.com/buzz/india-business-merger-deal-with-reliance-is-best-of-both-worlds-disney-ceo/](https://nc42.com/buzz/india-business-merger-deal-with-reliance-is-best-of-both-worlds-disney-ceo/) (last visited 14 th April 2024)

by the antitrust watchdog of India, the Competition Commission of India prior to being finalized. It may also have to offer disinvestment of certain assets before receiving the green signal from the CCI.<sup>2</sup>

### **FROM DOORDARSHAN TO NETFLIX**

The introduction of over-the-top platforms (OTT) in India has revolutionised how the mass consumes entertainment content. Television cable channels have for the longest time been the middle-class household's primary source of entertainment. Until the liberalisation of the economy in the 1990s, Prasar Bharti's Doordarshan ruled the television entertainment industry. In this era, radio was a competitor of television as it formed the primary functions of tv, i.e. providing entertainment and disseminating information, minus the visual appeal.

However, the government monopoly over television networks suffered a major setback as India opened its gate to private players in pursuance of the LPG policy. Since then the mediums of visual entertainment have changed as drastically as the size of the device providing it. Radios transformed into a thing of yesteryears although it has retained its nostalgic value.

The service providers of the idiot box have changed from antennas to local cable television service providers to the more sophisticated direct-to-home (DTH) services. However, it is the availability of cheap data and smartphones that revolutionised the content consumption of an average Indian citizen. Owing to the peerless Ambanian business acumen, one may easily reminisce the glory days of Jio when it provided free and unlimited data to every subscriber in 2016-17. Backed by the rising availability of cheaper smartphones, this marked the focal point that forever catapulted the way a layman consumed data.

Laptops and smartphones replacing the television (the slick LCD, which was not then capable of being connected to the wi-fi), signified more autonomy and convenience in the modes of consumption of data. Although YouTube initially became a great source to access free content, it could not replace the quality shows TV provided. The need for premium and quality content is the primary reason for the bloom of OTT service providers in the Indian market.

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<sup>2</sup> Nimitt Dixit, *Disney-Reliance Media Mega-Merger Faces Antitrust Scrutiny*. Asian Legal Business – India E-Magazine, February 2024

Netflix, an American major thriving internationally due to its OTT content, found the perfect market gap in the vast Indian population. Although the journey of Netflix has been a roller coaster ride, it was soon joined by the likes of Amazon Prime, Zee5 etc.

The Indian OTT market currently boasts of a robust 105 billion, wherein the subscription revenues, and is projected to reach 120 billion by FY 2024. With a 20% year-on-year growth, the market is set to value up to 300 billion by FY 2030.<sup>3</sup>

### **THE CRICKET FANATIC INDIA- A KEY DECIDING FACTOR**

India loves cricket. Its 1.4 billion population is alone responsible for 80% of the total global revenue generated from the game worldwide. The sport is an important consideration not only due to its value to the media market as a whole but also because both companies have major stakes in the game.

India's largest streaming app Disney Hotstar, boasts of a user base of 38 million and holds exclusive broadcasting rights for International Cricket Council's matches in India until 2027. While Reliance's Jio Cinema app has secured the rights for the Indian Premier League (IPL). The IPL is one of the most profit-generating businesses in cricket. The combination of these two entities will give them a significant advantage over the generation of revenue.

The strong presence of the entities in cricket streaming and TV broadcasting raises concerns about the potential for the combined entity to command exorbitant advertising rates, leaving advertisers with limited bargaining power.

While the cricket business serves as a lucrative consideration for both entities to join hands, the prospective market dominance of the resultant merger concerns the CCI. The body shall examine the impact of the deal on the advertising rates of the company and also consider if potential competitors will have access to attractive cricket content. To avoid any adverse effect on competition, the CCI will also examine the licensing terms of the deal. If the licensing terms are excessively long or have an overboard scope, it may exclude competing broadcasters from accessing attractive cricket content.

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<sup>3</sup> Rupin Chopra and Shantam Sharma, *India: Jio And Disney Merger: From The Lens Of Competition Due Diligence*, 27 February 2024 Available at: <https://www.mondaq.com/india/antitrust-eu-competition-/1429176/jio-and-disney-merger-from-the-lens-of-competition-due-diligence> (last visited 14th April, 2024)

## **IMPACT ON THE GENERAL ENTERTAINMENT CHANNELS**

As per CCI's 2022 report, Disney and Reliance held up to 50% of the total general entertainment channel (GEC) TV market. This includes both Hindi GEC and film industry (50% and 35% respectively) and regional languages (up to 55% of Marathi GEC, up to 50% of Bengali GEC). Hence, stakeholders such as viewers, advertisers, content producers, distributors, and Distribution Platform Operators (DPOs) will be affected as the merged entity becomes the largest broadcasting house in India with over 100 TV channels. Here it becomes the duty of the CCI to examine if this dominant market player can command exorbitant advertising rates, leaving advertisers without bargaining power.

## **THE ZEE-SONY MERGER BOON**

While the dominance of this prospective merger entity may have a bumpy road to travel in light of the prevailing competition law, all is not gloomy for the Reliance-Disney Merger. A strong case of precedence is set by the Zee-Sony merger case that was cleared by the CCI in the year 2022. As the Zee-Sony merger undergoes dispute resolution process, it eliminates a major competitor for the Reliance-Disney alliance

## **REASON FOR THE MERGER**

As evident, the main factor behind the merger is RIL's strategy to gain influence and control over the digital entertainment industry. While Disney+ Hotstar initially experienced rapid growth in its subscriber base by securing streaming rights for cricket matches such as the IPL and World Cup, it faced a setback when it lost the bid for digital streaming rights in the 2023-27 cycle. Instead, Reliance-backed Viacom18 emerged victorious in the bidding process, securing the rights for \$720 billion, representing a 12.92% increase compared to the average per match value previously paid by Disney's Star India. Star India's valuation at \$15 billion in 2018 was drastically reduced to \$3.1 billion by the year 2023<sup>4</sup>.

On the other hand, the deal would allow Disney to focus on its US operations since the joint venture allows Reliance Industries to take the lead in the initiative, without the former having to let go of its huge consumer and viewer base in India. Hence, the merger shall turn out to be a win-win situation for both the companies.

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<sup>4</sup> THE FINANCIAL EXPRESS, <https://www.financialexpress.com/market/caffeinvest-the-big-picture-behind-the-reliance-and-disney-merger-3426369/> (LAST VISITED APRIL12, 2024)

## **ROLE OF CCI IN REVIEWING MERGERS AND ACQUISITIONS**

Article 19 of the constitution of India<sup>5</sup> provides individuals the right to freedom of practicing any trade or occupation of their own choice. Thus, under these circumstances it becomes imperative to ensure a marketplace that encourages opportunities and growth prospects for all. The Competition Commission of India primarily undertakes the task of prohibiting abuse of dominant position, anti-competitive agreements and regulating mergers and acquisitions (combinations).

With the advent of globalization, there has been a rapid increase in the competition within the Indian market. Hence, the Competition Act<sup>6</sup> was enacted in the year 2002 to protect the consumer interests, foster the spirit of competition and prevent the concentration of economic power in few hands. Mergers and acquisitions, defined under section 5<sup>7</sup> of the Act as a part of combinations, are mainly performed to establish a dominant position, reduce competition and carry out operations on a larger scale in order to generate greater revenue.

Section 20(4)<sup>8</sup> of the Competition Act prohibits mergers having an appreciable adverse effect. The term, though undefined, encompasses certain criteria like-

- a) The extent of reduction in competition that it is likely to bring
- b) Economic advantages of the merger for the country.
- c) Comparison of benefits and ill- effects of the merger
- d) Restrictive effect on new players in the market
- e) Possibility of rises in price
- f) Availability of alternatives and substitutes in the field, etc.

The approval process for combinations under the Competition Act involves notifying the CCI, filing prescribed forms, CCI review, publication for public comments, and CCI decision. The CCI assesses the potential impact on competition and may approve with or without conditions, or reject the combination. In the context of the Reliance-Disney merger, the CCI's task is to evaluate the transaction to ensure that it does not result in a substantial lessening of competition in the Indian OTT market.

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<sup>5</sup> INDIA CONST. art. 14

<sup>6</sup> THE COMPETITION ACT, 2002, NO. 12, ACTS OF PARLIAMENT, 2003 (INDIA).

<sup>7</sup> THE COMPETITION ACT, 2002, § 5, NO. 12, ACTS OF PARLIAMENT, 2003 (INDIA).

<sup>8</sup> THE COMPETITION ACT, 2002, § 20(4), NO. 12, ACTS OF PARLIAMENT, 2003 (INDIA).

## **REGULATORY VIGILANCE- WHY IS CCI'S OVERSIGHT VITAL FOR THE RRLIANCE-DISNEY MERGER ?**

Reliance's JioCinema and Disney+ Hotstar merger indeed raises concerns about potential market dominance, particularly in segments like streaming sports content, such as cricket. The mammoth merger seeks to create a significant player in the Indian OTT market, combining Reliance's extensive user base through JioCinema with Disney+ Hotstar's vast content library with this consolidation likely resulting in an increased market share and immense power generation for the merged entity. It is to be remembered that market dominance may give the entity the ability to set higher prices and limit choices for consumers alongside excluding competitors from having access to a level playing field.

Competitors may face challenges in negotiating for premium content rights or securing distribution agreements, as the merged entity could leverage its dominant position to prioritize its own platforms or content offerings. In this scenario, it becomes vital for the CCI to assess whether the merger creates a dominant position that could harm competition, leading to adverse effects such as increased prices, reduced innovation, or restricted access to content<sup>9</sup> and ensure that the acquisition does not reduce options for consumers or increase subscription costs.

Scrutiny may also focus on the merged entity's behavior post-merger, including pricing strategies, exclusivity agreements, and treatment of competitors, to ensure compliance with competition law and protect consumer interests. CCI might impose conditions to prevent abuse of dominance. This could include commitments to share broadcasting rights or avoid exclusive distribution deals that prevent other media outlets from accessing key content.

### **OTHER APPROVALS REQUIRED**

In addition to the approval from the Competition Commission of India (CCI), the merger between Reliance's JioCinema and Disney+ Hotstar also requires several other regulatory approvals to ensure compliance with various laws and regulations. These approvals may include clearance from sector-specific regulatory authorities such as the Ministry of Information and Broadcasting and the Department of Telecommunications, particularly if the merger impacts the broadcasting or telecommunications sectors.

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<sup>9</sup> LIVEMINT, <https://www.livemint.com/companies/news/reliance-disney-india-merge-streaming-tv-assets-to-create-rs-70-352-crore-media-powerhouse-5-key-highlights-11709129039923.html>, (LAST VISITED ON 13TH APRIL, 2024)

Additionally, since the merger involves significant foreign investment and the acquisition of foreign-owned assets, approval from the Reserve Bank of India (RBI) would be necessary to facilitate compliance with foreign exchange regulations. Compliance with securities laws and regulations shall also be required, potentially necessitating approval from the Securities and Exchange Board of India (SEBI). Furthermore, as the merger involves a scheme of arrangement or amalgamation, obtaining approval from the National Company Law Tribunal (NCLT) may be necessary, following the process enshrined under the Companies Act.

### **THE ANTI-TRUST SCRUTINY vs. THE MEGA MERGER**

Some experts hope the Competition Commission of India (CCI) will impose conditions, such as asset divestment, to prevent the emergence of a new monopoly in the telecom, media, and technology space. Divestment refers to the act of selling off assets, subsidiaries, or business units by a company or organization. In the context of mergers and acquisitions, divestment may be required by regulatory authorities as a condition for approving the transaction, especially if the merger raises concerns about market dominance or anti-competitive behaviour.

Before the Zee-Sony merger, the CCI required the two media firms were to divest three channels (Zee Classic, Zee Action and Big Magic) for its approval. However, the CCI's general premise that market dominance alone is not necessarily harmful raises scepticism about the likelihood of such intervention. Reliance-Disney may argue in favour of the merger enabling better investment, innovation and the importance of creating a mighty domestic OTT platform to compete effectively with the growing competition in the digital entertainment landscape. Hence, under the lurking danger of abuse of dominance, CCI's supervisory task becomes immensely pivotal for prevention of anti-trust behaviour like predatory pricing, exclusion of potential competitors and monopolistic practices. The yet pending CCI's nod of assent depends on the effect of the deal on different stakeholders such as viewers, advertisers, content producers, distributors, etc.

### **LATEST DEVELOPMENTS**

The latest development in the Reliance-Disney merger has brought the project significantly closer to completion, with key regulatory and governmental approvals already secured. The Competition Commission of India (CCI) has granted approval for the merger of Viacom 18 (a subsidiary of Reliance Industries) and Star India (part of Walt Disney's India business), while

the National Company Law Tribunal (NCLT) sanctioned the merger scheme on August 30, 2024. This marks a crucial step forward, as it enables the structural consolidation of media assets.

Additionally, the Indian government has approved the transfer of licenses for non-news and current affairs television channels held by Reliance's media entities to Star India, further streamlining the merger process. The merger involves the transfer of media operations from Viacom18 and JioCinema to Digital18, followed by the demerger and transfer of V18 Undertaking from Digital18 to Star India.

Reliance Industries, in its quarterly earnings report, has stated that the transaction is on track to close by the third quarter of fiscal year 2025. With adjustments being made to comply with directives from the CCI, both parties are in the final stages of the merger. Upon completion, the deal will create India's largest media conglomerate, valued at \$8.5 billion, positioning the entity to compete with major players such as Sony and

### **CONCLUSION- REFLECTION ON THE MEGA MERGER**

The Disney-Reliance merger has the potential to reshape not just the Indian media industry but also how we consume content as individuals. Reliance's deep pockets and Disney's rich content library could create an entertainment juggernaut that dominates every screen in your life. But with this power comes responsibility—both to maintain competitive pricing, uphold diverse content creation, and to prevent the consolidation of power from stifling creativity and innovation. From a stock market perspective, this merger represents a consolidation of power that will undeniably change the way investors view India's media sector. Reliance's stock, already a bellwether for the Indian market, could see sustained growth as it absorbs Disney's assets. This integration into an already diverse portfolio (from petrochemicals to retail to telecommunications) makes Reliance even more dominant, drawing more global and domestic investors. For an investor in Reliance, this is likely a boon. However, the Indian media stock space could lose its competitive edge. Once-disparate companies like Zee, Sony, or regional broadcasters might find it harder to attract investors if Reliance becomes a media behemoth.

In a digital landscape where content is king and competition fierce, the Reliance-Disney merger emerges as a titan, poised to redefine the picture of entertainment in India. With Reliance's technological prowess and Disney's iconic content portfolio converging, the merger stands out

to be more than just a business deal. Alongside pondering the implications of this union- from leveraging synergies to expanding market reach, its ultimate effects on consumer welfare and competitive dynamics cannot be ignored. While the country awaits as the Reliance-Disney saga unfolds, it serves as a reminder of the ever-evolving nature of the entertainment industry. In the end, the show must go on, and with Reliance-Disney at the helm, it promises to be nothing short of spectacular.

