

COMPETITION COMMISSION OF INDIA

14th August, 2012

Combination Registration No. C-2012/06/62

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

1. On 18th June, 2012, the Competition Commission of India (hereinafter referred to as the "Commission") received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as the "Act"), relating to the proposed combination by way of acquisition of equity share capital of Living Media India Limited (hereinafter referred to as "LMI"), a holding company of India Today Group by IGH Holdings Private Limited (hereinafter referred to as "IGH"), an investment company in Aditya Birla Group.
2. The notice was given to the Commission pursuant to the execution of Share Subscription and Purchase Agreement (hereinafter referred to as "SSPA") and Shareholders Agreement (hereinafter referred to as "SHA"), both executed on 18th May, 2012 between IGH, LMI and the promoters of LMI.
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as "Combination Regulations"), on 22nd June, 2012, IGH was required to provide certain information and document(s). IGH filed its response to the said communication on 11th July, 2012. In terms of sub-regulation (4) of Regulation 5 and sub-regulation (2) of Regulation 19 of the Combination Regulations, vide letter dated 19th July, 2012, IGH was also required to provide certain additional information. IGH filed their reply to the said letter on 1st August, 2012.
4. As per the details provided in the notice and the documents annexed thereof, the proposed combination relates to the acquisition of equity shares of LMI by IGH, comprising of an initial acquisition of 24.9 per cent of the equity share capital of LMI in terms of the SSPA, and an additional acquisition of 2.6 per cent of the equity share capital of LMI in terms of the SHA, resulting in the acquisition of 27.5 per cent equity share capital of LMI by IGH. It has been further stated in the notice that pursuant to certain valuation adjustments contemplated in the SSPA, the said acquisition of the equity share capital of LMI by IGH may increase or decrease and the shareholding of IGH in LMI may go up to maximum of 49 per cent of the equity share capital of LMI. It has been stated in the notice and other documents on record that the proposed acquisitions and valuation



adjustments should be completed within six months from the end of the financial year 2015-16. It has been further stated in the notice that the initial acquisition of 24.9 per cent and the subsequent acquisitions, including the acquisitions due to the valuation adjustments, are interrelated and inter dependent and approval has been sought for the proposed acquisition of equity shareholding up to 49 per cent of LMI by IGH.

5. Further, as per the details provided in the notice and the documents annexed thereof, there are certain conditions precedent in the SSPA which relate to certain transfers to and from LMI, pursuant to which some businesses of LMI including Thomson Press (India) Limited, its subsidiaries and certain other businesses would be hived off from LMI. After such transfers the subsidiaries and associate companies which would form part of the proposed combination include TV Today Network Limited, ITAS Media Private Limited, Today Retail Network Private Limited, Today Merchandise Private Limited, Harper Collins Publishers India Limited, Mail Today Newspapers Private Limited, India Today Online Private Limited, Universal Learn Today Private Limited, Integrated Data Bases India Limited and Automotive Exchange Private Limited.
6. As a result of the proposed combination IGH would have certain statutory rights in LMI pursuant to the acquisition of 27.5 per cent of the equity share capital of LMI along with the contractual rights that IGH would have in LMI pursuant to the terms of the SHA.
7. The proposed combination falls under Section 5(a) of the Act.
8. LMI is a private limited company incorporated under the provisions of the Companies Act, 1956 and is the holding company of the India Today Group. It has been stated in the notice that the India Today Group is involved in diversified businesses such as print media which includes newspapers, magazines, directories; publishing and distribution of books and print material; broadcasting through television and radio; publishing & distribution of music, event management digital business and education consultancy.
9. IGH, also a private limited company incorporated under the provisions of the Companies Act, 1956, is an investment company registered with the Reserve Bank of India as a non-deposit taking non-banking financial company. It has been stated in the notice that the principal business of IGH is to make and hold investments in the Aditya Birla Group. The Aditya Birla Group has diversified business interests in various sectors such as non-ferrous metals, cement, textiles, chemicals, agribusiness, carbon black, mining, ferro chemicals, wind power, insulators, telecommunications, financial services, retail, information technology & information technology enabled services and trading solutions.



10. It is observed that both the Aditya Birla Group to which IGH belongs and the India Today Group of which LMI is the holding company, are engaged in the retail business in India.
11. The retail sector in India may be broadly categorized into organised and unorganised retail segments. Currently, the Indian retail sector is primarily characterized by the presence of a large number of players in the unorganised retail segment, which as per the publicly available data, constitutes approximately 90 per cent of the retail sector in India. The organised retail segment in India is an emerging segment which comprises of a number of players, large and small, competing in the market. The recent trends in the retail business show that the changing consumer preferences and consumption patterns in the Indian economy are now increasingly leading to rapid growth of the organised retail segment. The potential for growth in the organised retail segment is also attracting a number of domestic and international players to enter into this segment. Broadly, the organised retail segment can be further categorized into physical store retail segment and non-store retail segment. Of these, the non-store retail segment can be further segmented into online/ internet, television, catalogue and direct selling segments.
12. It is noted that both the India Today Group and the Aditya Birla Group, which are engaged in the retail business in India are primarily present in the organised retail segment. As per information provided, while the India Today Group has presence in the physical store retail segment as well as the online non-store retail segment through Media Mart and BagItToday.com respectively, the Aditya Birla group is present only in the physical store retail segment through More.MegaStores and More.Stores. Although both the India Today Group and the Aditya Birla Group are present in the physical store retail segment, however, the products being sold by their respective stores indicate that the stores operated by the India Today Group operate on a different format as compared to the stores operated by the Aditya Birla Group. While Media Mart, the chain of stores operated by the India Today Group in Delhi, Mumbai and Chennai, sells only media related products such as books, magazines, newspapers, CDs, etc., the Aditya Birla Group operates 479 stores under the brand name More.Stores, which sells food and grocery items, and 14 stores under the brand name More.MegaStores, which sells a range of products like grocery, fruits & vegetables, general merchandise, books, magazines, music CDs, electronics, computers, mobile phones, apparel, footwear sports and FMCG products with national, international and house brands.
13. Considering the retail businesses of the India Today Group and the Aditya Birla Group as well as the category of products sold and total value thereof and the nature, characteristics and dynamics of the retail sector in India, as observed above, the proposed combination is not likely to have any significant impact on the retail market in India.



14. As per the information provided in the notice and other documents regarding the products and services of the Aditya Birla Group and the India Today Group, it is observed that there are vertical relationships between certain products and services of the Aditya Birla Group and the India Today Group. As regards these vertical relationships, it is observed from the details disclosed in the notice and documents annexed thereto, that:

- (i) the Aditya Birla Group places advertisements in various media i.e., television, print, internet and radio, which are owned and operated by the India Today Group. The advertising revenue generated by the India Today Group from the Aditya Birla Group in the year 2011-12 is negligible in the total revenue generated by the India Today Group from advertising. Further, the revenue generated by the India Today Group from advertising through each of its media such as television, print, internet and radio, is also mostly negligible in the total market of advertising spend in each of television, print, internet and radio media in India in 2011.
- (ii) the Aditya Birla Group, through its group company, Idea Cellular Limited, is engaged in the provision of telecommunication and internet services and the India Today Group through its group companies provides content for Mobile Value Added Services (MVAS) to be used by telecom and internet service providers. The revenue generated by the India Today Group through the provision of content for MVAS to the Aditya Birla Group constitutes also a very small percentage of the total revenue generated by the India Today Group through provision of content for MVAS. Further, the revenue generated by the India Today Group through provision of content for MVAS is also very small in the total market of MVAS in India in the year 2011.
- (iii) the Aditya Birla Group, through its group companies, is engaged in the business of textiles including apparels and the India Today Group through its online retail platform i.e., BagItToday.com is engaged in the sale of products including apparels. However, presently, the brands of apparel/textiles being offered through BagItToday.com are not manufactured or distributed by the Aditya Birla Group. As per the revenues of the India Today Group from BagItToday.com, the percentage share of BagItToday.com in the online non-store retail segment is also negligible.

15. In view of the foregoing para, it is observed that the vertical relationships between the products and services of the Aditya Birla Group and the India Today Group are not of significant nature so as to raise any adverse competition concern.



16. Considering the facts on record and the details provided in the notice and the assessment of the proposed combination after duly considering the relevant factors mentioned in the sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act, provided that IGH shall inform the Commission within fifteen (15) days, about any change in the shareholding of IGH in LMI from 27.5 per cent that may take place up to 31st December, 2016.
17. This approval is without prejudice to any other legal/statutory obligations as applicable.
18. This order shall stand revoked if, at any time, the information provided to the Commission is found to be incorrect.
19. The Secretary is directed to communicate to IGH accordingly.



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