

COMPETITION COMMISSION OF INDIA

8th August, 2012

Combination Registration No.: C-2012/07/67

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

1. On 6th July, 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**”), of the proposed combination, given by Sanlam Emerging Markets (Mauritius) Limited (hereinafter referred to as “**Sanlam Mauritius**” or “**Acquirer**”). 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 the “**Combination Regulations**”), vide letter dated 13th July, 2012, the Acquirer was required to remove defects and furnish certain information. The response of the Acquirer, to the said communication, was received on 23rd July, 2012.
2. The notice was given to the Commission pursuant to the execution of a Share Subscription Agreement (hereinafter referred to as the “**SSA**”) and Shareholders Agreement, both entered into between Sanlam Mauritius, Shriram Financial Ventures (Chennai) Private Limited (hereinafter referred to as “**Shriram Chennai**”) and Shriram Ownership Trust (hereinafter referred to as “**SOT**”), on 6th June 2012 (hereinafter Sanlam Mauritius, Shriram Chennai and SOT are collectively referred to as the “**parties**”).
3. It has been stated in the notice that Sanlam Mauritius proposes to hold not more than 26 per cent stake, through Shriram Chennai, in Shriram Capital Limited (hereinafter referred to as “**SCL**”) by way of subscribing to equity shares up to 49.90 per cent of the fully paid-up equity share capital of Shriram Chennai. It has been further stated in the notice that after negotiation between the parties, it was agreed and provided for in the SSA that Sanlam Mauritius will subscribe to 49.05 per cent of the fully paid-up equity share capital of Shriram Chennai; however, the parties have reserved the right to allow Sanlam Mauritius to subscribe up to 49.90 per cent of the fully paid-up equity share



capital of Shriram Chennai to ensure the stated objective of Sanlam Mauritius having 26 per cent stake in SCL.

4. The proposed combination relates to the subscription by Sanlam Mauritius to the equity shares of Shriram Chennai and falls under section 5(a) of the Act.
5. Sanlam Mauritius, an investment holding company, is a limited liability company incorporated under the laws of Mauritius and is an indirect wholly owned subsidiary of Sanlam Limited, which is the parent entity of the Sanlam Group. As per the information given in the notice, Sanlam Group, with its headquarters in South Africa, provides financial solutions including individual, group and short-term insurance, personal financial services such as estate planning, trusts, home and personal loans, saving and linked products, investment, asset management, property asset management, stock broking, risk management and capital market activities.
6. Shriram Chennai is stated to be a private limited company incorporated in 2011 under the provisions of the Companies Act, 1956. As per the information given in the notice and other documents placed on record, Shriram Chennai is an investment holding company and currently holds 100 equity shares representing only 0.0001 per cent equity share capital of SCL. Shriram Chennai is stated to be a part of the Shriram Group as the total issued and paid-up share capital of Shriram Chennai is held by SOT. Shriram Group, through its various group companies, is engaged in lending/financing activities predominantly for commercial vehicles, equipment, retail and small business enterprises, and providing life and general insurance services.
7. SCL is an unlisted public limited company incorporated under the provisions of the Companies Act, 1956. As per the information given in the notice and other documents placed on record, SOT holds approximately 85 per cent of the issued and paid-up equity share capital of SCL. SCL is the investment holding arm of the financial services activities of the Shriram Group and holds shares in entities engaged in the diverse financial services such as commercial vehicle finance; consumer & enterprise finance including individual personal loans, small business loans, asset purchase loans and loan



against gold; retail stock broking; life & general insurance; financial product distribution; portfolio management; chit funds; overseas investment, etc.

8. It has been stated in the notice that SCL presently holds 74 per cent of issued and paid-up equity share capital in both Shriram General Insurance Company Limited (hereinafter referred to as the "SGIC") and Shriram Life Insurance Company Limited (hereinafter referred to as the "SLIC"). The remaining 26 per cent of the issued and paid-up equity share capital in SGIC and SLIC is held by Sanlam Limited and Sanlam Life Insurance Limited, a wholly owned subsidiary of Sanlam Limited respectively. SGIC and SLIC, both are a part of the Shriram Group and are engaged in providing general insurance and life insurance services in India.
9. It has been mentioned in the notice that Sanlam Mauritius proposes to be a strategic investor in the Shriram Group with a stake not exceeding 26 per cent in SCL and to ensure the said stated objective, the following inter-connected and inter-dependent transactions, as also stated in the SSA, are proposed to be implemented:-
 - i. SCL shall acquire 26 per cent of the issued and paid-up equity share capital, in both SLIC and SGIC, held by Sanlam Life Insurance Limited and Sanlam Limited respectively. Accordingly SCL shall become the registered holder of the entire issued and paid-up equity share capital of SGIC and SLIC.
 - ii. Sanlam Mauritius will subscribe to 49.05 per cent of the issued and paid-up share capital of Shriram Chennai subsequent to their issue and allotment.
 - iii. Shriram Chennai will subscribe for further shares in SCL and will hold at least 50.10 per cent of the issued and paid-up share capital of SCL.
10. It has been stated in the notice that on completion of the said transactions, Sanlam Mauritius shall be the registered and beneficial owner of 49.05 per cent of the total issued and paid up share capital of Shriram Chennai and accordingly shall hold an indirect equity interest of 26 per cent in SCL.



11. It is observed from the information given in the notice and other documents placed on record that Sanlam Group is primarily operating outside India. Among its business interests in India, Sanlam Group has a 26 per cent stake in each of SGIC and SLIC, which are engaged in providing insurance services in India. Further, Sanlam Group has a wholly owned subsidiary in India i.e. Sanlam Equity Analytics India Private Limited, which provides equity analysis services to some of the entities of Sanlam Group. Sanlam Group also holds a minority stake of 8.36 per cent in SMC Global Securities Limited, which provides stock broking services in the retail segment.
12. It is noted that on completion of the transactions mentioned at Para 9 above, Shriram Chennai will become the holding company of SCL and Sanlam Mauritius will acquire an indirect stake of not more than 26 per cent in SCL. Accordingly, after the proposed combination, Sanlam Group will hold not more than 26 per cent stake in SGIC and SLIC, though indirectly. However, besides the interest in SGIC and SLIC as stated above, Sanlam Group will also have a proportionate indirect interest in other financial services businesses of Shriram Group, after the proposed combination.
13. It is observed that currently Sanlam Group is not actively involved in any business activity in India except for holding 26 per cent stake in SGIC and SLIC, which are the general insurance and life insurance arms of the Shriram Group. Even after the proposed combination, Sanlam group will continue to hold not more than 26 per cent stake in these companies, though indirectly. Thus there would be no significant change in Sanlam Group's presence in the insurance sector in India after the proposed combination. It is also observed that currently Sanlam Group and Shriram Group are not competitors in the market of other financial services in India as Sanlam Group is primarily operating outside India and, as already stated, is not actively involved in any business activity in India except for holding 26 per cent stake in SGIC and SLIC. Therefore, the proposed combination is not likely to give rise to any adverse competition concern in India.
14. Considering the facts on record and the details provided in the notice given under subsection (2) of Section 6 of the Act and the assessment of the proposed combination, 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.

15. This approval is without prejudice to any other legal/statutory obligations as applicable.
16. This order shall stand revoked if, at any time, the information provided by the Acquirer to the combination is found to be incorrect.
17. The Secretary is directed to communicate to the Acquirer accordingly.



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