COMPETITION COMMISSION OF INDIA

09th May, 2013

Combination Registration No. C-2013/04/118

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

1. On 4th April, 2013, 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**") filed by Industrial Investment Trust Limited (hereinafter referred to as "**IITL**").

2. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as the "**Combination Regulations**"), vide letter dated 12th April, 2013, IITL was informed of certain defects/incomplete information in the notice, requiring them to remove such defects and furnish the required information/document(s) by 23rd April, 2013. IITL, vide letter dated 23rd April, 2013, sought an extension till 1st May 2013 for filing its reply. The reply was filed by IITL on 30th April, 2013.

3. The notice relates to a proposed combination which involves an acquisition of 22.5 percent shares of Future Generali India Life Insurance Company Limited (hereinafter referred to as "**FGILIL**") by IITL from Pantaloon Retail (India) Private Limited ("**PRIL**") {known as "Future Retail Limited" ("**FRL**") from March 16, 2013} with an option to acquire an additional 1.5 percent shares in FGILIL from FRL and also involves acquisition of joint control in FGILIL by IITL alongwith the other partners namely PRIL (now FRL), Participatie Maatschappij Graafschap Holland NV and Sprint Advisory Services Private Limited (hereinafter referred to as "**SASPL**"). The said notice was filed pursuant to the execution of the Share Purchase Agreement between IITL and PRIL (now FRL) (hereinafter referred to as the "**SPA**") and Joint Venture Agreement between Generali, PRIL (now FRL), SASPL, IITL and FGILIL (hereinafter referred to as the "**JVA**"), both of which were executed on 8th March, 2013.

4. The proposed combination falls under Section 5(a) of the Act.

5. FGILIL is a company incorporated under the laws of India in 2006 and is registered with the Insurance Regulatory Development Authority ("**IRDA**"). It has been stated in the notice that PRIL and SASPL, both of which belong to the Future Group, together hold 74.5 percent equity shares in FGLIL as the Indian joint venture partners, and the Generali Group through its subsidiary, Participatie Maatschappij Graafschap Holland NV (hereinafter referred to as "**Generali**"), holds 25.5 per cent in FGILIL as the foreign joint venture partner. FGILIL is engaged in the business of providing life insurance services and products in India.

6. IITL, the company which is acquiring shares in FGILIL, is a listed public limited company incorporated under the laws of India in 1933, and is registered with the Reserve Bank of India

("**RBI**") since 2000 as a Non-Banking Financial Company ("**NBFC**"), without accepting public deposits. IITL, registered with the RBI as an Investment Company, is primarily engaged in the business of making investment in shares, stocks, debentures and bonds. It has been stated in the notice that during the year 2012-2013, IITL became a systemically important NBFC. Further, as per the information provided in the notice, neither IITL nor any of its group companies are engaged in the business of providing life insurance services and products in India, nor do they have any controlling or other interest in any other life insurance company in India. It has been stated in the notice that while IITL itself is not engaged in the business of insurance, one of its subsidiaries i.e., IIT Insurance Broking and Risk Management Private Limited (IITIBRM), registered with IRDA as an Insurance Broker as per the IRDA ('Insurance Brokers') Regulations, 2002, carries on the business of direct insurance broking for life and non-life segment and has tie-ups with life and non-life insurers in India.

7. PRIL (now FRL), the company which is selling its shares in FGILIL, is a listed company incorporated under the laws of India. PRIL (now FRL) is the flagship company of Future Group and focuses on the retail and related businesses in India. In the insurance space, the company offers life insurance products as well as general insurance products to its various customers through its joint venture with Generali. It has been stated in the reply dated 30th April, 2013 that pursuant to the proposed combination, the shareholding of FRL in FGILIL would be reduced from the current 25.5 per cent to 3 per cent after the acquisition of its 22.5 per cent stake in FGILIL by IITL, and eventually to 1.5 per cent in the event IITL exercises its option to acquire additional 1.5 per cent as per the terms and conditions of the SPA.

8. As stated, the proposed combination relates to the insurance sector in India which is broadly classified into life insurance, non-life (general) insurance and reinsurance business. The insurance sector in India is primarily regulated by IRDA. As per the Annual Report of IRDA 2011-12, at the end of September 2012, there were 52 insurance companies operating in India of which 24 companies were in the life insurance business and 27 companies in the general insurance business and one company is in the business of reinsurance. Out of the said 52 insurance companies in India, around 44 are private insurance companies in life and general insurance business, which share among themselves around 30 percent of the market in the life insurance and around 40 percent of the market in the general insurance business. Further, out of the 24 life insurance companies in India, Life Insurance Corporation of India ("**LIC**") is the only public sector company which is providing life insurance and the remaining 23 companies are the private sector companies. During 2011-12, while the premium income of LIC constituted around 71 percent of the total life insurance premium income recorded by the life insurance industry in India, the premium income recorded by the private sector insurers during 2011-12, including FGILIL, constituted around 29 percent of the total life insurance premium. As per the IRDA Annual Report 2011-12, as on 31st March, 2012, FGILIL ranked 16th among the 24 existing life insurance companies premium-wise with its premium income constituting only 0.27 per cent of the total life insurance premium income in India in the year 2011-12. Further, the total number policies held by FGILIL as on 31st March, 2012, constituted only about 0.16 percent of the total number of life insurance policies in force in India.

9. From the information provided in the notice, it is observed that IITL and FGILIL are not engaged in providing similar, identical or substitutable products in India; therefore, there is no horizontal overlap among their products or services. However, it is observed that IITIBRM, a subsidiary of IITL registered with IRDA as an insurance broker, has business procurement relations with FGILIL and therefore, there exists a vertical relationship between FGILIL and IITL. But given that, as on 30th April, 2013, there were around 340 insurance brokers registered with IRDA and that as per the information provided in the notice, the business procured by IITIBRM for FGILIL during the year 2012 -13 constituted only around 10 percent of the total business of FGILIL as well as the relatively minor share of FGILIL in the total life insurance premium income in India, the vertical relationship between IITIBRM and FGILIL is not likely to raise any competition concern.

10. In view of the foregoing, the proposed combination is not likely to have any adverse effect on competition in India.

11. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the combination after considering the relevant factors mentioned in 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 combination under sub-section (1) of Section 31 of the Act.

12. This approval is without prejudice to any other legal/statutory obligations as applicable.

13. This order shall stand revoked if, at any time, the information provided by the parties to the combination is found to be incorrect.

14. The Secretary is directed to communicate to IITL accordingly.