



18.02.2016

**Notice under Section 6 (2) of the Competition Act, 2002 given by
Virtusa Consulting Services Private Limited.**

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. S.L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Mr. G.P. Mittal
Member

Legal Representative: ALMT Legal

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

1. On 07.12.2015, the Competition Commission of India ("**Commission**") received a notice given by Virtusa Consulting Services Private Limited ("**Acquirer**") under sub-section (2) of Section 6 of the Act, pursuant to the execution of a share purchase agreement ("**SPA**") dated 05.11.2015 by and amongst Acquirer, Polaris Consulting & Services Limited ("**Target**") and Sellers¹. The Acquirer and the Target are hereinafter collectively referred to as the "**Parties**".
2. As per the notice, the proposed combination relates to the acquisition of 53,133,127 equity shares constituting a majority stake of 53% of the paid-up share capital of the Target by the Acquirer from the Sellers ("**Proposed Combination**").

¹ As defined in the SPA, "**Sellers**" comprises of 15 promoter sellers (owners of 28,985,760 equity shares), 1 investor seller (owner of 17,458,692 equity shares) and 5 other sellers (owners of 6,688,675 equity shares); totaling 53,133,127 equity shares, collectively owning 53% of the paid up share capital of the Target.



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3. The Proposed Combination falls under section 5(a) of the Act.
4. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 ('**Combination Regulations**'), vide letter dated 01.01.2016, the Acquirer was required to furnish information on, *inter alia*, market shares of the Parties within 10 days of receipt of the same. The Acquirer submitted its response on 13.01.2016. The Commission, through a letter dated 12.02.2016, directed the Acquirer to appear for oral hearing to explain their position on certain non-compete provisions as contained in the SPA. The oral submissions of the Acquirer were heard by the Commission on 18.02.2016.
5. The Acquirer, an unlisted private limited company incorporated in India in the year 2008, is a provider of IT Services ("IT Services") to customers in various segments/sectors such as banking, financial services & insurance ("BFSI"), communications & technology, media & information, etc. It is stated in the notice that 100% shares of the Acquirer are directly/indirectly held by Virtusa Corporation (a corporation incorporated in the United States of America). As per the information provided in the notice, 95.62% of the total revenue of Acquirer was derived from exports, while remaining 4.38% was derived from domestic sales in India, for the year ended 31.03.2015. It has also been stated in the notice that 58% of the total revenue of Acquirer accrued from the BFSI sector/industry.
6. The Target, a listed public limited company incorporated in India in the year 1993, is a provider of IT Services to customers in various segments/sectors such as BFSI, retail, airlines, consulting, logistics, media and entertainment, manufacturing, etc. The Target is listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited, and Metropolitan Stock Exchange of India Limited. As per the information provided in the notice, out of total revenue of the Target for the year ended 31.03.2015, 74.55% was derived from exports, while remaining 25.40% was derived from domestic sales in India. It has also been stated in the notice that 89.50% of the total revenue of Target accrued from the BFSI sector/industry.
7. As per the information provided in the notice, both the Acquirer and the Target operate in the overall IT Services sector. As stated in the notice, according to the report on *Market Share: IT Services, 2014* published by Gartner, Inc. on 31st March 2015 ("**Gartner Report**"), the total revenue of the India headquartered IT Services companies in the IT-Services market aggregates to USD 57,316 million and the combined share of the Acquirer and the Target constitutes less than 1% of the IT Services market in India. Further, as per the Gartner Report, the shares of top 5 players in the market for IT Services in India are Tata Consultancy Services (25.4%), Cognizant (16.8%), Infosys (13.8%), Wipro (11.6%) and HCL Technologies (8.7%).
8. Further, as per the information provided by the Acquirer, in terms of the combined revenue, market share of the Parties in the BFSI sub-segment is insignificant in



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comparison with competitors such as Tata Consultancy Services, Cognizant, Infosys, Wipro operating in the BFSI sub-segment.

9. As stated in the notice, the Acquirer as well as the Target are engaged in the business of providing IT Services. However, in view of the insignificant market shares of the Parties and the presence of larger players, there does not seem to be a likelihood of appreciable adverse effect on competition in India. As stated in the notice, no vertical relationships exist among the Parties.
10. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated 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 same under sub-section (1) of Section 31 of the Act.
11. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
12. The Secretary is directed to communicate to the Parties accordingly.