



Dated 18.02.2016

Notice under Section 6 (2) of the Competition Act, 2002 given by

- **Reliance Communications Limited**

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

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: M/s Khaitan & Co LLP

1. On 1st December, 2015, 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 (“**Act**”) given by Reliance Communications Limited (“**RCom**”/“**Acquirer**”).



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/12/345)



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2. The proposed combination relates to the demerger of the telecom business of Sistema Shyam Teleservices Limited (“**Target**” / “**SSTL**”) and subsequent acquisition of the same by RCom pursuant to a Merger Agreement and Shareholders Agreement (“**SHA**”) dated 2nd November 2015. In consideration for the said acquisition, RCom will issue shares to SSTL amounting to 10% of its equity. (Hereinafter, the Acquirer and the Target are collectively referred to as the “**Parties**”).
3. In the notice, the Acquirer undertook to provide certain information by 21st December 2015 under sub-regulation (6) regulation 5 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination regulations**”). Further, in terms of Regulation 14 of the Combination Regulations, a letter dated 5th January 2016 seeking certain information was issued to the Acquirer and response to same was received on 18th January 2016 after seeking an extension to time. The Acquirer also made additional submissions subsequently.
4. RCom, a public listed company incorporated under the Companies Act, 1956, is engaged *inter alia*, in the provision of telecommunication services namely mobile telephony (including voice, data, value added and other services), wireline telephony, national long distance (“**NLD**”), international long distance (“**ILD**”), passive infrastructure and internet data centre related services in India. RCom provides mobile telephony service using either or both CDMA¹ and GSM² technology in all the telecom service areas of India and wireline telephony service in 20 telecom service areas.
5. SSTL, a public limited company incorporated under the Companies Act, 1956, is a subsidiary of Sistema JSFC (a publicly-traded company in Russia) and is engaged in providing telecommunication services namely, mobile telephony, wireline telephony, NLD, passive infrastructure and internet data centre related services in India. SSTL provides mobile telephony service using CDMA technology in nine telecom service areas namely, Delhi, Kolkata, Gujarat, Karnataka, Tamil Nadu (including Chennai), Kerala, Uttar Pradesh (West), Rajasthan and West Bengal and wireline telephony in Rajasthan telecom service area.
6. With regards to the mobile telephony service, it is observed that the overlap in the operations of RCom and SSTL exists in nine telecom service areas. With respect to the wireline telephony service (including voice and data), it is noted that the overlap in the operations of the RCom and SSTL exists only in Rajasthan service area.

¹ Code Division Multiple Access (‘CDMA’)

² Global system for mobile (‘GSM’)



COMPETITION COMMISSION OF INDIA
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7. Regarding long distance services, it is noted that RCom offers both NLD as well as ILD services. On the other hand, SSTL's network for NLD services is currently used for captive purposes and it does not provide ILD services. With regards to the passive infrastructure services, it is noted that both RCom (through its subsidiary RITL³) and SSTL provide passive infrastructure services to telecom operators. In this regard, Acquirer has submitted that none of the telecom towers of SSTL will be transferred to RCom as part of the proposed combination. It is also observed that both the Parties are engaged in services relating to the internet data centres. However, while RCom renders internet data centre related services to others, SSTL's internet data centres are captively used.
8. In the present case, the exact definition of market is left open as the proposed combination does not give rise to competition concern irrespective of the manner in which the market is defined.
9. On the basis of information furnished by the Acquirer, with regards to mobile telephony service, it is noted that while the market shares of RCom in the overlapping telecom service areas are in the range of 5-20 percent, post combination the combined market shares would remain in the same range. Further, there are other significant service providers such as Bharti Airtel, Vodafone India, Idea Cellular, BSNL, and Aircel Ltd. which are active in providing mobile telephony service in these telecom service areas. Regarding the wireline telephony services in Rajasthan, it is observed that the combined market share of the Parties, post combination would be in the range of 0-10 percent only and as per information provided in the notice there are other significant competitors such as BSNL, Bharti Airtel, Vodafone India and Tata Teleservices, active in the provision of similar services.
10. In relation to the vertical relationship, it noted that SSTL has taken 455 tower tenancies⁴ from RITL and post-combination these 455 tower tenancies of SSTL will become internal tenancies of RCom. In this regard, it has been submitted that there are around four lakh telecom towers in the country with average tenancy of around 2 i.e. total tenancy of more than 8 lakhs. In terms of tenancies, Indus towers is market leader (35-40 percent) followed by & ATC Towers (including Viom) (15-20 percent), RITL (10-15 percent), Bharti Infratel (10-15 percent), BSNL (5-10 percent) etc.
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 assessment of the proposed combination on the

³ Reliance Infratel Ltd.

⁴ A telecom tower can accommodate the equipment's of 3-5 telecom service providers.



COMPETITION COMMISSION OF INDIA
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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.

12. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
13. The Secretary is directed to communicate to the Acquirer accordingly.