



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2016/04/387)



11.05.2016

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

- **LT Foods Limited; and**
- **LT Foods Middle East DMCC**

**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. U.C. Nahta  
Member

Mr. M.S. Sahoo  
Member

Mr. G. P. Mittal  
Member

**Legal representative: Spice Route Legal / Tanikella Rastogi Associates**

1. On 07.04.2016, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) filed by LT Foods Limited (“**LT Foods**”) and LT Foods Middle East DMCC (“**LT DMCC**”). The notice had been filed pursuant to the execution of a Framework Agreement (“**Framework Agreement**”) on 17.03.2016, amongst LT Foods, LT DMCC, Sona Global Limited (“**Sona**



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**Global**") and Hindustan Unilever Limited ("**HUL**"/"**Seller**"). LT Foods and LT DMCC are hereinafter collectively referred to as the ('**Acquirers**').

2. The proposed combination relates to the acquisition of the business of processing of raw material for rice, marketing, distribution, export and sale of various types of rice including, trademarks (and associated goodwill) from HUL ("**Target Business**"), by LT DMCC ("**Proposed Combination**"). Under the Proposed Combination, LT Foods also proposes to acquire certain inventory in relation to the Target Business in India from HUL.
3. The Proposed Combination falls under Section 5(a) of the Act.
4. At the time of filing of the notice, the Acquirers submitted an undertaking under the relevant provisions of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 ("**Combination Regulations**") to provide information related to market shares of the parties to the combination. The said information was submitted on 11.04.2016. The Acquirers made certain additional submissions on 29.04.2016, 02.05.2016 and 10.05.2016.
5. LT Foods, a company registered in India and listed on the BSE and NSE, is stated to be engaged in the business of packaged rice foods. Sona Global is stated to be a Dubai based entity and is engaged in distribution and sale of basmati rice. It is a wholly owned subsidiary of LT Foods. LT DMCC is also stated to be a Dubai based entity which is wholly owned by Sona Global. LT DMCC is stated to be catering to markets of Middle East for the business operations of LT Foods.
6. It has been submitted that HUL is a company incorporated in India and is listed on the BSE and the NSE. It is engaged in the manufacture and sale of soaps, detergents, personal products, beverages, packaged foods and other fast-moving consumer goods. It has been submitted that HUL primarily operates in India; however, a small portion of its international business comprises export of packaged basmati rice.
7. In this regard, it is observed that both the Acquirer and the Seller are engaged in the business of distribution and sale of basmati rice; however, the Seller has negligible sales in



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India. Further, it is observed that other competitors such as KRBL Limited, Kohinoor Foods Limited, etc. are also operating in the market.

8. In relation to vertical overlaps, it has been submitted that the parties to the proposed combination are not engaged in any activity relating to the production, supply, distribution, storage, sale and service or trade in products or provision of services which is at different stages or levels of the production chain in which any other party to the Proposed Combination is involved.
9. It is observed that the Framework Agreement contains a non-compete clause which, *inter-alia*, restricts HUL and its subsidiaries from competing with the Target Business for a period of 5 years from the closing date. During the assessment of the case, the Acquirers were required to provide a clarification and justification on the duration of the non-compete covenant. In terms of sub-regulation (2) of Regulation 19 of the Combination Regulations, the Acquirers, *vide* letter submitted on 29.04.2016, proposed to amend the non-compete covenant so as to reduce the duration of non-compete clause from five years to three years with regard to the territory of India.
10. The Commission hereby accepts the modification offered by the Acquirers under the provisions of sub-regulation (2) of Regulation 19 of the Combination Regulations<sup>1</sup>. The Acquirers are directed to make necessary amendments in the documents so as to incorporate the modification and submit a copy of such amended documents within a period of three months from the date of this Order.

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<sup>1</sup> As per sub-regulation (2) of Regulation 19 of the Combination Regulations,

*“For the purpose of forming its prima facie opinion under sub-section (1) of section 29 of the Act, the Commission may, if considered necessary, require the parties to the combination to file additional information or accept modification, if offered by the parties to the combination before the Commission has formed prima facie opinion under sub-regulation (1), as deemed fit by it.*

*Provided that the time taken by the parties to the combination, in furnishing the additional information or for offering modification shall be excluded from the period provided in sub-regulation (1) of this regulation and sub-section (11) of section 31 of the Act.*

*Provided further that in such a case where the modification is offered by the parties to the combination before the Commission has formed the prima facie opinion under sub-regulation (1), the additional time, not exceeding fifteen days, needed for evaluation of the offered modification, shall be excluded from the period provided in sub-regulation (1) of this regulation and sub-section (11) of section 31 of the Act.”*



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11. Considering the facts on record, 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 and the modifications proposed by the Acquirers in respect of the Framework Agreement, 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 is, however, issued without prejudice to the proceedings under Section 43A of the Act.
13. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
14. The Secretary is directed to communicate to the Acquirers accordingly.