



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2016/06/407)



Fair Competition
For Greater Good

01.08.2016

Notice u/s 6 (2) of the Competition Act, 2002 given by HDFC Ergo General Insurance
Company Limited and L&T General Insurance Company Limited

CORAM:

Mr. Devender Kumar Sikri

Chairperson

Mr. Sudhir Mital

Member

Mr. Augustine Peter

Member

Mr. U.C. Nahta

Member

Mr. M. S. Sahoo

Member

Mr. G. P. Mittal

Member

Legal Representatives of the parties: For HDFC Ergo General Insurance Company Limited:
M/s Wadia Ghandy & Co.; For L&T General Insurance Company Limited: M/s Krishnamurthy
& Co.

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

1. On 14.06.2016, 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**”) jointly given by HDFC Ergo General Insurance Company Limited (“**HDFC**



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Ergo”) and L&T General Insurance Company Limited (“**LTGI**”). The said notice was given pursuant to the execution of a Share Sale and Purchase Agreement (“**SPA**”) between HDFC Ergo, LTGI and Larsen & Toubro Limited (“**L&T**”) on 03.06.2016. (Hereinafter HDFC Ergo and LTGI are collectively referred to as the “**Parties**”).

2. As stated in the notice, the combination relates to the acquisition of 100% equity shareholding of LTGI by HDFC Ergo from L&T and subsequent merger of HDFC Ergo into its then wholly owned subsidiary LTGI (“**Proposed Combination**”) pursuant to a scheme of arrangement proposed to be filed before the High Court of Judicature at Bombay under the provisions of Sections 391 to 394 of the Companies Act, 1956, as presently in force.
3. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as “**Combination Regulations**”), vide letter dated 22.06.2016, the Parties were required to provide certain information/document(s) by 29.06.2016. The Parties filed their response accordingly.
4. HDFC Ergo, incorporated under the Indian Companies Act, 1956, belongs to HDFC group. Housing Development Finance Corporation Limited (“**HDFC**”) is a public limited company listed on the National Stock Exchange (“**NSE**”) and Bombay Stock Exchange (“**BSE**”), engaged in providing housing finance, finance for commercial real estate etc. HDFC Ergo is engaged in the business of providing general insurance services. It offers a range of general insurance products, from motor, health, travel, home, personal accident in retail segment and customized products like property, rural, marine, fire, liability and other specialized insurance products in corporate segment.
5. LTGI, a company incorporated under the Indian Companies Act, 1956 is a wholly owned subsidiary of L&T. L&T, which is a technology, engineering, construction, manufacturing and financial services conglomerate, is a public limited company listed on BSE and NSE. LTGI is engaged in the business of providing general insurance services. It offers a range of general insurance products, with product offerings spanning across auto, business, home and health insurance.



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6. As stated above, HDFC Ergo and LTGI are both engaged in the general insurance business. It has been stated that the relevant product market may be delineated as the market for general insurance services. As regards the relevant geographic market, the Parties submitted that considering the factors such as the operations of the Parties, the relevant geographic market may be considered as India.
7. The Commission noted that from a demand side perspective, various general insurance products such as fire insurance, marine insurance, motor insurance, health insurance etc. differ in characteristics and are not substitutable with each other. The Commission, while assessed the impact of the Proposed Combination in the overall market for general insurance services and each of the general insurance products, decided to leave the delineation of the relevant market open as it was observed that the Proposed Combination, for the reasons detailed in ensuing paragraphs, is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets that may be delineated.
8. The Commission noted that the Parties have a combined market share of less than 5 percent (in terms of gross premium earned) in the market for general insurance services and less than 10 percent in each of the market segments of fire, marine, motor, health and other insurance. Further, it was noted that LTGI has limited presence in all segments and the incremental market share resulting from the Proposed Combination is insignificant (between 0 to 5 percent). Also, post-combination, the Parties would continue to face competitive constraints on account of the presence of other significant competitors like New India Assurance Company Limited, National Insurance Company Limited, United India Insurance Company Limited, The Oriental Insurance Company Limited and ICICI Lombard General Insurance Company Limited etc.
9. As regards vertical relationships between the Parties, the Commission examined the state of existing distributorship, dealership and network of insurance intermediaries of LTGI and observed that the same is not likely to cause any vertical foreclosure.
10. The Commission observed that it was agreed that L&T and its affiliates shall not invest in equity securities or carry on or be engaged in any manner with the business of provision of general insurance or health insurance in India for a period of 5 years. The Parties were required



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to provide justification regarding the non-compete obligations. In response, the Parties offered the modification under the provisions of sub-regulation (2) of Regulation 19 of the Combination Regulations, vide their communication dated 18.07.2016, to limit the duration of non-compete obligations to three years. The Parties have also given an undertaking vide the aforesaid response that they will enter into relevant documentation to effect the aforesaid amendment to the non-compete obligations and submit copies of such executed documents to the Commission.

11. The Commission, hereby, accepts the modification offered by the Parties under the provisions of sub-regulation (2) of Regulation 19 of the Combination Regulations¹. The Parties 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.
12. Considering facts on record and 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 modification relating to non-compete obligations offered by the Parties under the provisions of sub-regulation (2) of Regulation 19 of the Combination Regulations, the Commission is of the opinion that the Proposed Combination is not likely to have 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.
13. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.

¹ 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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14. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.

15. The Secretary is directed to communicate to the Parties accordingly.