



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2017/06/514)



13th July 2017

**Notice under sub-section (2) of Section 6 of the Competition Act, 2002 given by
Softbank Group Corp.**

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. S. L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Legal representatives: AZB & Partners and Shardul Amarchand Mangaldas & Co

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

1. On 2nd June, 2017, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) filed by Softbank Group Corp (“**SB Group**”/ “**Acquirer**”). The notice was filed along with an undertaking to provide complete information by 16th June 2017 in terms of Regulation 5(6) of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”). Accordingly, the Acquirer filed complete notice *vide* communication dated 16th June 2017. The proposed combination involves primary as well as secondary acquisition of



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/06/514)



Fair Competition
For Greater Good

20% stake in the Target by SB Group through its wholly-owned subsidiary SBGC (**“Proposed Combination”**).

2. The notice has been filed pursuant to execution of following agreements each dated 3rd May, 2017, namely: (i) Share Subscription Agreement between SoftBank Group Capital Limited (**“SBGC”**), One97 Communications Limited (**“OCL”/“Target”**) and Mr. Vijay Shekhar Sharma(**“Founder”**); (**“SSA”**); (ii) Share Purchase Agreement between SAIF III Mauritius Company Limited, SAIF Partners India IV Limited, SAIF Partners India V Limited (collectively, **“SAIF”**) and SBGC; (**“SAIF SPA”**); (iii) Share Purchase Agreement executed between Mr. Vijay Shekhar Sharma and SBGC; (**“VSS SPA”**); and (iv) Shareholders’ Agreement between OCL, Founder, SBGC, Alipay Singapore Ecommerce Private Limited (**“AliPay”**), Alibaba.com Singapore E-Commerce Private Limited (**“Alibaba”**), SAIF, SAIF India V FII Holdings Limited and Mountain Capital Fund L.P. (Hereinafter, SB Group, SBGC and OCL are collectively referred to as the **“Parties”**).
3. SBGC is a wholly owned subsidiary of the SB Group. SBGC, incorporated under the laws of England and Wales, was created to act as a holding company for the investments of the SB Group.
4. The SB Group, incorporated in Japan, is present in India through its direct/indirect subsidiaries. The business activities of SB Group subsidiaries can be classified into five segments: i) provision of mobile communication services in Japan; ii) provision of mobile communication services in United States of America; iii) internet advertising and ecommerce business; iv) distribution of mobile devices overseas and v) designs of semiconductor and software. SB Group is present in India through: (a) subsidiaries/controlled entities; and (b) investments in various entities either domiciled/registered in India or registered outside India; having presence in India by way of sales or through subsidiaries, units, divisions or branch offices (collectively referred to as **“Indian Portfolio Companies”**). Jasper Infotech Private Limited (**“Snapdeal”**), ANI Technologies Private Limited (**“Ola”**), Oravel Stays Private Limited (**“OYO”**), Elara



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/06/514)



Fair Competition
For Greater Good

Technologies Pte. Ltd., InMobi Pte. Ltd. (“**InMobi**”), Grofers International Pte. Ltd. and Hike Global Pte.Ltd are the Indian Portfolio Companies of the Acquirer.

5. OCL, incorporated in India, is a mobile internet company. It operates both directly and indirectly through various subsidiaries/controlled entities in India and engaged in the business of provision of mobile content and value added services to telecom operators under the brand name One97 Communications Limited and One97. OCL also provides integrated digital payment services through PayTm Payments Bank Limited (“**PPBL**”) under the brand name ‘Paytm’.
6. The Commission observed that through the Proposed Combination, the Acquirer seeks to invest in digital payments services’ market in India. Post combination, the Acquirer will have affirmative voting rights and the right to appoint one director on the Board of Directors of the Target and thereby in a position of exercising control over Target. The Commission further noted that the two subsidiaries of the India Portfolio Companies of the Acquirer, namely, Freecharge Payment Technologies Private Limited (“**Freecharge**”), (wholly owned subsidiary of Snapdeal) and Zipcash Card Services Private Limited (“**ZipCash**”) (subsidiary of Ola), and the Target, through PPBL, are engaged in the provision of digital payment services through m-wallets in India.
7. The Commission observed that the notice pertains to acquisition of stake in the entity rendering digital payment services. The digital payment services can be made through Credit cards, Debit cards, Internet banking and Prepaid Payment Instruments (“**PPIs**”). As per RBI Master Circular dated July 1, 2014, updated on 3rd December 2014, “*PPIs are payment instruments that facilitate purchase of goods and services, including funds transfer, against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card. The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, **mobile wallets**, paper vouchers and any such instrument which can be used to access the pre-paid amount*”. PPIs can be segmented into three categories viz. (i) Closed-system; (ii)



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/06/514)



Fair Competition
For Greater Good

Semi-closed system; and (iii) Open system. While open system PPIs can be issued only by Banks, Closed and Semi-closed PPIs can be issued by other person/entities. The closed PPIs issued by a person/entity can be used for facilitating purchase of goods and services from him/it. These instruments do not permit cash withdrawal or redemption viz. Delhi Metro card, Sodexo meal vouchers etc. The semi-closed PPIs can be used for purchase of goods and services, including financial services at a group of clearly identified merchant locations/ establishments which have a specific contract with the issuer to accept the payment instruments. These instruments also do not permit cash withdrawal or redemption by the holder. The mobile wallets (“**m-wallets**”) are a type of semi-closed PPI, which allows the user to make payment for products or services to third party(ies).

8. Given the fact that there are multiple modes of payments, evolving nature of m-wallets segment, entry of new players, and presence of well-established players like State Bank of India, HDFC Bank, ICICI Bank in the market for provision of digital payment services through m-wallets, the Commission observed that the Proposed Combination is not likely to raise any significant competition concern and accordingly decided that the exact delineation of the relevant market be left open.
9. With respect to the horizontal overlaps, the Commission observed that at broader level based on transacted value as per RBI statistics for FY 2016-17 and internal estimates of the Parties, the combined market share of the Acquirer and the Target is within the range of [0-5] percent in the market for provision of digital payment services. Further, this market is characterised by the presence of other well established players like State Bank of India, ICICI Bank, HDFC Bank, Axis Bank and Kotak Mahindra Bank having market share based on transacted value in the range of [30-35] percent, [10-15] percent, [5-10] percent, [5-10] percent, and [0-5] percent respectively.
10. The Commission noted that m-wallets are a segment of the wider digital payment services. The Commission further noted that during demonetisation, the m-wallets became very popular due to ease of downloading the app, wider acceptability at small



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/06/514)



Fair Competition
For Greater Good

outlets having no card swipe machines, no minimum balance requirement, limited risk and so forth. The Commission noted that in the m-wallets segment the market share of Freecharge, Zipcash and PPBL in the m-wallet segment is in the range of [65-70] percent, [10-15] percent and [0-5] percent, respectively based on the transacted value in FY 2016-17. Based on volume of transactions, the market share of Freecharge, Zipcash and PPBL in the m-wallet segment is in the range of [55-60] percent, [5-10] percent and [0-5] percent, respectively. The Commission also took note of the fact that there are no significant barriers to entry in m-wallets segment and various banks have come up with their wallets like ICICI Pockets, HDFC PayZapp, State Bank Buddy, Axis PayGo etc. and are already present in this segment. Also, a number of new players have been granted authorisation to issue PPIs and are likely to enter m-wallets business. As per ASSOCHAM Report titled “*M Wallets: Scenario Post Demonetisation*” (2016), companies from all sectors are entering in this lucrative business of m-wallets as it makes an individual’s day-to-day transactions easy by providing him the ability to securely and conveniently perform transactions electronically. Further, software service companies are also ready to compete in m-wallet market by introducing advance technology platform to create an environment wherein digital payments can be accepted. Even National Payments Corporation of India has launched BHIM (Bharat Interface for Money), a mobile app which allow users to send or receive money to or from United Payment Interface (UPI) addresses, or to non-UPI based accounts. The Commission thus noted that there is presence of competition in the m-Wallet segment coupled with competitive constraints from well established players like banks and telecom companies, low barriers to entry and exit in m-wallets segment, strong demand and supply side substitutability with the presence of multiple modes of payment like debit cards, credit cards, internet banking etc. Taking into consideration above factors, the Commission does not find horizontal overlap to raise any appreciable adverse effect on competition in the m-wallet segment.

11. As regards vertical relationships, the Commission observed that there are existing vertical relationships between PPBL and some of the Indian Portfolio Companies and their subsidiaries. On the other hand, PPBL also avails online marketing services from one of Indian Portfolio Company of the Acquirer. The Acquirer has submitted that there may be



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2017/06/514)



*Fair Competition
For Greater Good*

potential vertical relationship among the Indian Portfolio Companies and PPBL for availing digital payment services and/or or payment gateway services. Commission observed that given the miniscule presence of the Indian Portfolio Companies in the upstream market and the Target in the downstream market the Proposed Combination is not going to raise any competition concern.

12. Considering facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and assessment 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.
13. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
14. The information provided by the Acquirer is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
15. The Secretary is directed to communicate to the Acquirer accordingly.