



09.02.2018

Notice under sub-section (2) of Section 6 of the Competition Act, 2002 filed by Adani Transmission Limited.

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Mr. G. P. Mittal
Member

Legal representatives: Cyril Amarchand Mangaldas

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

1. On 16.01.2018, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) given by Adani Transmission Limited (“**ATL**”/ “**Acquirer**”). The notice has been filed pursuant to the Share Purchase Agreement dated 21.12.2017 (“**SPA**”) executed by and between ATL, Reliance Electric Generation and Supply Limited (“**REGSL**”/”**Target**”) and Reliance Infrastructure Limited (“**RInfra**”/ “**Seller**”).
2. The proposed combination has been notified as an acquisition of 100% equity shares of REGSL from R-Infra by ATL. (“**Proposed Combination**”) (Hereinafter, ATL, REGSL and RInfra are collectively referred to as “**Parties**”).



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3. ATL (belonging to Adani Group), a public limited company, is listed on Bombay Stock Exchange Limited (“BSE”) and National Stock Exchange of India Limited (“NSE”). It is *inter alia* engaged in power transmission, trading of agricultural commodities and Engineering, Procurement and Construction (“EPC”) businesses. In the power transmission sector, ATL, through its subsidiaries, is engaged in establishing, commissioning, operating and maintaining transmission systems.
4. REGSL is a wholly-owned subsidiary of R-Infra. Currently, it does not have any business operations in or outside India.
5. RInfra (belonging to the Anil Dhirubhai Ambani Group), a public limited company, is listed on BSE and NSE. It has presence across the value chain of power sector i.e., generation, transmission, distribution and power trading. It also has presence in EPC, infrastructure and defence, among others.
6. Pursuant to a Scheme of Arrangement entered into between the Parties, R-Infra proposes to transfer the following businesses to REGSL: (i) Generation Business, consisting of 2×250 MW coal based thermal power generating station located at Dahanu in the State of Maharashtra; (ii) Distribution Business, comprising distribution of electricity in an area of approximately 400 square kilometres in the suburban region of Mumbai in accordance with the terms of the Distribution; and (iii) Transmission Business, including transmission of electricity within the State of Maharashtra. (Hereinafter, Generation Business, Distribution Business and Transmission Business are collectively referred to as “**Target Business**”)
7. The Commission noted that the production/distribution chain of electricity consists of three segments: generation, distribution and transmission and that each of these market segments has a distinct set of producers and consumers. Further, from a demand substitutability point of view, switching can only take place internally within each segment. Also, each segment of the electricity supply chain is characterised by competitive dynamics and governed by different regulatory requirements. Accordingly,



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generation, distribution and transmission of power can be delineated as separate relevant product markets.

8. With regard to relevant geographic market, the Commission observed that India has been demarcated into five power transmission regions, i.e. Northern, Eastern, Western, Southern and North Eastern sectors. The regions have been synchronously interconnected and operate as a single grid, i.e., the national grid which operates as a single seamless network for transmitting power/delivering power to consumers. Based on demand, the process of transmission of power can take place from any part of India to another part through the interconnected national grid, irrespective of where the power is generated. Based on the above, the relevant geographic market for the purpose of the Proposed Combination can be considered as the "*entire territory of India*" for both power generation and transmission markets. As regards power distribution, since license for distribution is awarded for a particular area, consumers can only avail power from distribution companies operating in the licensed area.
9. The Commission noted that horizontal overlap exists between Parties in the market of transmission of power and generation of power. Since ATL is not engaged in power distribution business, there is no overlap in the distribution of power.
10. In the power generation market in India, the Commission observed that the combined market shares of the Parties is in the range of 0-5 percent and incremental market share is insignificant to raise any competition concern. Further, significant competitors like NTPC Ltd., Tata Power Ltd., Maharashtra State Power Generation Company Ltd., Damodar Valley Corporation Ltd., NHPC Ltd. etc. will continue to pose competitive constraints in the post-combination scenario
11. In the power transmission market in India, the Commission observed that the combined market shares of the Parties in respect of power transmission lines of 220 kV and above in India are in the range of 0-5 percent and incremental market share is insignificant to raise any competition concern. Further, significant competitors like PGCIL, Maharashtra State Electricity Transmission Co. Ltd, Gujarat Energy Transmission Corporation Limited,



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Madhya Pradesh Power Transmission Company Ltd., Uttar Pradesh Transmission Corporation Ltd. etc. will continue to pose competitive constraints in the post-combination scenario.

12. Further, the Commission observed that there exists a potential vertical relation between the activities of RInfra and Adani group. However, Commission is of the view that the same is not likely to cause appreciable adverse effect on competition in India as transmission licensees do not have any control over the decision with regard to the entities who use its transmission line to transmit power or to whom power is ultimately transmitted to. Further, at the transmission level, there does not exist any agreement between the Adani group, through ATL, and REGSL/the Target Business. At the generation level, while there are no long-term PPAs between Adani group and REGSL/the Target Business, one of the Adani group entities has supplied power to the Target Business on a short term basis in 2017. The Commission noted that that this arrangement is not a continuous supply relationship and the quantity of power supplied is miniscule.
13. 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.
14. This order is, however, issued without prejudice to the proceedings under Section 43A of the Act.
15. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
16. 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.



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17. The Secretary is directed to communicate to the Acquirer accordingly.