



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2019/05/664)

20th August, 2019

Notice under Section 6 (2) of the Competition Act, 2002 jointly filed by Ctrip.com International Limited and Golden Trip Investment Fund, L.P.

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

On 27th May, 2019, the Competition Commission of India (**Commission**) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (**Act**) jointly filed by Ctrip.com International Limited (**Ctrip / Acquirer 1**) and Golden Trip Investment Fund, L.P (**GTIF / Acquirer 2**). The notice was given pursuant to the execution of Share Purchase Agreement (**SPA**) dated 26th April, 2019 executed among MIH Internet Sea Private Limited (**MIH/Seller**)¹, MIH B2C Holdings B.V. (**Seller Guarantor**) and Ctrip.

2. The proposed combination envisages acquisition by Ctrip of additional 42.52% (approx.) outstanding voting securities of MakeMyTrip Limited (**MMT/Target**) from MIH. As purchase consideration, Ctrip proposes to issue approximately 5.6% of Ctrip's outstanding

¹ MIH is an indirect subsidiary of Naspers Limited and is incorporated in Singapore



ordinary shares to MIH. Subsequently, Ctrip will transfer 4% (approximately) of outstanding voting securities of MMT to GTIF. (**Proposed Combination**). (Hereinafter, Acquirer 1 and Acquirer 2 are collectively referred to as “**Acquirers**” & Acquirers and Target are collectively referred to as “**Parties**”).

3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of Business relating to Combinations) Regulations, 2011 (**Combination Regulations**), vide letter dated 7th June, 2019, certain information and clarifications, *inter alia*, regarding steps of the Proposed Combination, interconnected transactions, ownership patterns and overlaps were sought from the Acquirers. The response was filed on 12th June, 2019, 19th June, 2019, 1st July, 2019 and 16th July, 2019. Since the responses were incomplete, Parties were asked to provide complete information and the same was submitted on 23rd July, 2019.

4. Ctrip, incorporated in Cayman Islands, is a travel service provider for accommodation reservation, air ticketing, packaged tours and other travel related services. Ctrip aggregates relevant information relating to travel services, to enable travellers to make informed and cost-effective bookings. In addition, Ctrip offers a variety of travel related ancillary services including, but not limited to, travellers’ reviews, travel information, visa services, travel financing, etc. to meet the various booking and travelling needs of customers. Ctrip primarily generates its revenues from end users in the Greater China Area and assets of Ctrip are also primarily located in the Greater China Area. Ctrip’s American Depository Receipts (ADR) are listed on NASDAQ exchange in the United States of America (**USA**).

5. Ctrip currently owns 10.47% outstanding voting securities of MMT along with right to appoint one director on its Board. Ctrip does not have any subsidiaries in India and has negligible India related operations. Ctrip uses Ctrip, Trip.com, Skyscanner and Qunar as trading names/ business names/ branding names in India.

6. GTIF is an exempted limited partnership, incorporated in Cayman Islands, with the purpose of investing in publicly traded and private companies, primarily in Asian markets. GTIF is a newly established fund and did not have any asset or turnover in CY2018.



7. MMT is a public company incorporated on 28th April, 2000, in Mauritius. It holds Category I Global Business License issued by the Financial Services Commission in Mauritius. The shares of MMT are listed on the NASDAQ exchange in USA.

8. As per the submissions, the following group companies of MMT currently operate and offer travel and travel related services i.e., (i) MakeMyTrip (India) Private Limited (**MMT India**); (ii) Ibibo Group Private Limited (**Ibibo**); (iii) Bitla Software Private Limited (**Bitla**); and (iv) Quest2Travel.com India Private Limited (Q2T) (collectively referred to as the “**Go-MMT Group**”). The Go-MMT Group is primarily engaged in the business of selling travel products and solutions in India, along with certain other geographies such as USA, Singapore, Malaysia, Peru, Thailand, Indonesia and the United Arab Emirates. Its key products and services include booking of air tickets, accommodation, packages and bus tickets. In addition, it also offers various travel related services, such as car hire, rail tickets, and ancillary travel requirements including facilitating access to third-party travel insurance and visa processing, to meet the various travel and booking needs of its customers.

PARTIES’ ACTIVITIES

9. Ctrip (directly or indirectly) provides the following travel and travel related services in India:

- (i) Air ticket bookings
- (ii) Accommodation bookings
- (iii) Car rentals
- (iv) Package holidays
- (v) B2B services
- (vi) Other services such as visa, travel insurance, foreign exchange etc.

10. MMT (directly or directly) provides the following travel and travel related services in India:

- (i) Air ticket bookings
- (ii) Accommodation bookings
- (iii) Car rentals
- (iv) Package holidays



- (v) Bus ticket bookings
- (vi) Railway ticket bookings
- (vii) Online booking platform for corporate clients/B2B services
- (viii) Other services such as visa, travel insurance, foreign exchange etc.
- (ix) Travel focussed technology provider with SaaS, Cloud and Mobile based solutions primarily used by bus operators, and bus global distribution system

11. Based on the information provided in the Notice, it is observed that both Ctrip and MMT are broadly engaged in 'travel, accommodation and travel related services' in India. Within this broad sector, the entities exhibit horizontal overlaps in (i) air ticket bookings, (ii) accommodation bookings, (iii) package holidays, (iv) car rentals, (v) B2B services and (vi) other services.

12. The Proposed Combination would give rise to vertical relationships in the following activities of the Parties:

- (i) Vertical overlap in supply of 'international air ticket inventory' (upstream) by Ctrip to Ibibo (part of Go-MMT Group) for 'travel market in India' or 'air ticket booking sub-segment in India' (downstream).
- (ii) Vertical overlap in supply of 'domestic accommodation' (upstream) by Go-MMT Group to Ctrip for 'travel market in India' or 'accommodation booking sub-segment in India' (downstream).
- (iii) Vertical Overlap in supply of 'meta search service (MSS)' (upstream) by Ctrip (through its subsidiary) which directs end consumers to Go-MMT's websites for booking travel and travel related services in India (downstream).

13. It is further clarified in the Notice that apart from its interest in MMT, Naspers Limited is not engaged in the production / provision of identical or substitutable products / services as Ctrip in India.

14. It is also stated that GTIF (including its controlled and controlling entities) has no investments in the same line of business, or vertically related lines, as MMT in India; or generally in the travel sector in India.



Relevant Product Markets

15. It is stated in the Notice that ‘travel and travel related services’ market should not be segregated and should be treated as a single market, comprising of various inter-linked facets such as (i) accommodation, (ii) transportation (including air, bus, rail and car travel), and (iii) attractions (for example, theme parks, natural attractions etc.). Broadly, the players engaged in the supply chain of this sector includes:

- a. Direct Suppliers – comprises of hotels, airline, bus operators and other suppliers that are responsible for providing end travel products and services to the customer. They have their own direct distribution channels as well as sell their offerings to intermediaries such as travel agents.
- b. Travel Agents & Online Travel Aggregators (OTAs) – are intermediaries between direct suppliers and end customers. They provide additional platform for end customers to book products and services of the direct suppliers. Some travel agents, which were traditionally offline players, now provide services through online channels as well. Similarly, online travel aggregators such as MMT, Yatra etc. have opened physical offline stores. Travel agents provide multiple services through a single portal.
- c. Tour Operators – are intermediaries who purchase products from direct suppliers and typically combines various travel components to create a package.
- d. Corporate Travel Service Providers – manages travel and non-travel related requirements for businesses and corporates.
- e. Online search engines, price comparison platforms and review platforms – includes *inter alia*, meta search engines (online platforms that uses data of other online travel agents and/or direct suppliers and provides its own search results)

Distinction between online and offline channels

16. The Parties have submitted that the relevant market should not be segregated based on online/offline channels for the following reasons:

- a. Characteristics and intended use: The portfolio of services offered to customers on both channels are largely the same. Players do not differentiate their offerings



for online and offline channels. Further, most players use a mix of online and offline offerings for serving their customers.

- b. Price: The price of the offering is comparable regardless of the channel. The base prices offered to customers / travellers are determined by the direct suppliers and are typically similar for both online and offline channels. Further, the commission / booking fee charged by travel agents etc. (which is a very small portion of the final price of the product / service) offered to consumers is similar across various modes.
- c. Ease of Switching: The consumers can easily switch between online and offline channels, given: (a) the lack of any switching costs, (b) that the product / portfolio of products offered on online and offline platforms are homogeneous, and have a high degree of demand side substitutability, and (c) the low search and information costs.
- d. Supply side substitutability: Players in the market continue to combine the online and offline distribution channels to reach travellers. Major players in the market today, including Indigo, SpiceJet, Taj, Hilton, Marriott, as well as smaller independent properties, Thomas Cook, Cox & Kings, Yatra, MMT have both an online as well as an offline presence in the market for travel and travel related services in India.
- e. Past decisional practice of the Commission: In MMT / Ibibo, the Commission has held that the relevant market should not be segmented based on online / offline channels, *inter alia*, as “all the travel channels operate through both offline and online modes”; and “it is easy for a consumer to switch between online and offline modes within and across travel channels”.

17. Commission’s view/assessment: The travel, accommodation and travel related services market is comprised of services provided by all suppliers in this industry’s value chain such as direct suppliers of the product/service, tour operators, travel agents, OTAs, other intermediaries etc. At a narrower level, the online travel market is comprised of direct suppliers, OTAs, tour operators, online search and compare platforms (including MSS providers). The Commission in some of its past decisions has assessed online and offline as separate markets also but ultimately left the market definition open. The Commission is of the opinion that in view of the increased popularity and use of OTAs by a large segment of consumers in India, the online channel



appears to be a distinct mode of distribution, which cannot be simply replaced or substituted by other offline modes or direct sale without losing out significantly on consumer reach. While the Parties have submitted that the relevant market should not be segregated, the competition assessment has been carried out for both online as well as for the broader market. However, as the Proposed Combination does not raise competition concern any in any of these markets, the exact delineation of relevant market is being left open.

Distinction on the type of travel services (i.e. air ticket booking, accommodation booking, package holidays etc.)

18. The Parties have submitted that the relevant market should not be segregated based on the type of travel service for the following reasons:

- a. Demand side factors: This market comprises of different options for travel and accommodation, which form a part of a larger holistic market for travel and travel related services. From a demand side perspective, travellers looking to travel to any destination typically require both travel as well as accommodation and factor in availability and characteristics of both. Transportation without accommodation, or vice versa, would not reflect a true picture of the demand in the relevant market for travel in which the Parties are present. Further, prices of the various different services also move in tandem.
- b. Supply side factors: From the perspective of the supply side, it is important to note that players in the sector are largely active across all services.

19. Commission's view/assessment: Different travel services may be complementary but they are not identical or substitutable. A consumer may search for these services at different point in time and may use a different platform/supplier for each travel service. A consumer may not even require to purchase all the products/services or even more than one product/service. While most of the OTAs offer a large bouquet of products/services, several OTAs specialise in a few type of travel service or are preferred by consumers for some products/services only. The Commission in its previous order of Thomas Cook/Kuoni observed that "Apart from offering individual travel services such as air tickets & hotel bookings, visa and passport services etc., the Parties also offer package tours to outbound, inbound and domestic travellers. The Parties are also active in the provision of business travel services to corporates." While the Commission



did not precisely define the market in this case due to absence of competition concerns, the market may be segmented based on the type of travel service offered. Based on the foregoing, the Commission in the present case assessed the market for “all travel services” as well as for each travel service separately.

Distinction between different travel channels (i.e. direct suppliers, travel agents, online travel aggregators etc.)

20. The Parties have submitted that the relevant market should not be segregated based on the type of travel channel for the following reasons:

- a. Characteristics / intended use: the characteristics of products / services offered by various travel channels are largely similar.
- b. Prices: the prices offered across different travel channels are largely similar, owing to the high degree of price transparency in this sector. Accordingly, players across travel channels compete with each other and offer comparable and competitive prices, in order to remain an attractive option for the consumer.
- c. Ease of Switching: consumers can easily switch between direct suppliers and online/offline travel agency channels, given (a) the lack of any switching costs, (b) that the product / portfolio of products offered on direct supply platforms and travel agency platforms (online and offline) are homogeneous, and have a high degree of demand-side substitutability, and (c) the low search and information costs.

21. Commission’s view/assessment: Direct suppliers such as airline operators and accommodation owners/operators sell their offerings to the consumers directly themselves and indirectly through travel agents and OTAs. The OTAs are intermediaries between direct suppliers and end customers. They provide a platform for end customers to book products and services of the direct suppliers. Given that no intermediation is involved in direct transactions, the Commission is of the view that direct suppliers operate in a different relevant market.



Distinction between domestic or international travel and travel related services

22. It has been submitted that the relevant market should not be segregated based on domestic / international travel because:
- a. Most players in the travel and travel related services market largely provide both domestic as well as international services.
 - b. Even travel agents and tour operators, including both online and offline channels, are similarly active in both the domestic and international segments.
 - c. There is significant demand side substitutability between domestic and international travel services.

23. Commission's view/assessment: The reasons provided in the notice by the Parties for non-delineation of markets based on domestic/ international are not justified and the Commission assessed the markets at the narrower level as well.

Relevant Geographic Market

24. It is submitted in the Notice that the travel and travel related services can be provided from and to anywhere in the world, and the relevant market should be worldwide. Many of the major players in the market for travel and travel related services in India are active worldwide. However, at the narrowest level, it is submitted that the relevant geographic market should be at least pan-India.

25. Commission's view/assessment: The Commission agrees that the relevant geographic market for online travel, accommodation and travel related services may only be pan-India but decided to leave the exact delineation of relevant market open.

COMPETITION ASSESSMENT

26. The competition assessment is carried out at broad 'travel, accommodation and other travel related services' as well as at narrower segments, as discussed in the foregoing paragraphs of this Order.



Horizontal Overlaps

A. *Horizontal Overlap in 'travel, accommodation and other travel related services'*

27. Broadly, both Ctrip and MMT are engaged in this business. As per the submissions, the increment to the market shares of the Parties is insignificant. Apart from the Parties, there are other intermediaries providing similar products/services.

28. Further, the Commission assessed the 'online' market for 'travel, accommodation and other travel related services' in India separately. It noted that while Target is one of the largest player, there is negligible increment to the market share as a result of the Proposed Combination as Ctrip derives minimal revenue from India.

B. *Horizontal Overlap in 'air ticket booking' in India*

29. Both Ctrip and MMT are intermediaries who purchase air tickets from direct suppliers (*i.e.* airline operators) and sell to their customers. While doing so, the Parties compete with other such intermediaries. As per the submissions, the combined market shares of the Parties on pan-India basis are [15-20%] and [10-15%] in terms of volume and value respectively. At a narrower sub-segment of 'online air ticket booking', based on the submissions of the Parties, the combined market shares are [30-35%] and [20-25%] in terms of volume and value respectively. However, the increment due to the Proposed Combination is [0-5%].

30. Further, when segmented based on domestic and international air ticket bookings, the incremental market shares is [0-5%] in overall (*i.e.* online plus offline) domestic air ticket booking, overall international air ticket booking, online domestic air ticket booking and online international air ticket booking sub-segments.

C. *Horizontal Overlap in 'accommodation booking' in India*

31. Both Ctrip and MMT are intermediaries who purchase rooms from direct suppliers (*i.e.* hotels, bnbs, etc.) and sell to their customers. While doing so, the Parties compete with other intermediaries. As per the submissions, the combined market shares of the Parties on pan-India



basis are not such as to raise any competition concern. At a narrower sub-segment of ‘online accommodation booking’, based on the submissions of the Parties, the increment due to the Proposed Combination is [0-5%].

32. Further, when segmented based on domestic and international accommodation bookings, the incremental market shares is [0-5%] in overall (*i.e.* online plus offline) domestic accommodation booking, overall international accommodation booking, online domestic accommodation booking and online international accommodation booking sub-segments.

D. Horizontal Overlap in ‘package holidays booking’ in India

33. Both Ctrip and MMT are intermediaries who purchase different products and services from various suppliers and combine two or more of these products/services to offer a package to the customer. While doing so, the Parties compete with other such tour/package holiday providers. As per the submissions, the combined market shares of the Parties on pan-India basis is [0-5%] in terms of value. At a narrower sub-segment, the Parties have submitted that there are various competitors engaged in similar activities such as Thomas Cook, Cox & Kings, Yatra etc.

34. Further, when segmented based on domestic and international bookings, the incremental market shares is [0-5%] in overall (*i.e.* online plus offline) domestic tours/package holidays booking and overall international tours/package holidays booking.

35. In addition to the above, the Parties submitted that they exhibit overlaps in travel services such as car rental booking, corporate bookings and other travel related services such as insurance, foreign exchange services etc. However, in all these segments either the combined market share of the parties or the incremental market shares are insignificant so as to raise any competition concerns.

36. Further, the Parties to the Proposed Combination also have investments and/or control (as per decisional practice of the Commission) in various entities, which are directly or indirectly engaged in some travel related services. It is submitted that even if these are



considered while carrying out competition assessment, the incremental market share in the broad market as well as in any sub-segment will be insignificant.

Vertical Overlaps

37. While assessing vertical overlaps, the Commission noted that Ctrip already has certain strategic investment in the Target. It is also stated in the notice that they have certain non-exclusive supply relationships in the ordinary course of business (similar to relationships each of them have with other competitors), which contribute a negligible proportion of revenue to the relevant party. The existing vertical relationships are as under:

A. *Vertical overlap in supply of 'international air ticket inventory' (upstream) by Ctrip to Ibibo (part of Go-MMT Group) for 'travel market in India' or 'air ticket booking sub-segment in India' (downstream) [Air ticket booking overlap] and*

B. *Vertical overlap in supply of 'domestic accommodation' (upstream) by Go-MMT Group to Ctrip for 'travel market in India' or 'accommodation booking sub-segment in India' (downstream) [Accommodation booking overlap]*

38. With regard to the above mentioned air ticket booking overlap, it has been stated in the notice that the Gross Merchandise Value (GMV) of the total international air tickets supplied by Ctrip to Ibibo in CY 2018 was a negligible fraction of the value of (i) the total international flight tickets booked on Go-MMT Group platforms and (ii) the total international flight tickets sold by Ctrip relating to India.

39. With regard to the above mentioned accommodation booking overlap, it has been stated in the notice that the total value of the domestic hotel bookings supplied by the Go-MMT Group to Ctrip in CY 2018 was a negligible fraction of the total GMV of the domestic hotel bookings sold by the Go-MMT Group.

40. Further, for both these overlaps it was submitted that there are no exclusivity arrangement between the Parties (either existing or proposed). Both Ctrip and Go-MMT Group can, and do deal with several other suppliers / customers in the upstream and the downstream



segments; and the presence of the Parties in both the upstream and the downstream segments is extremely small.

41. The Commission observed that these vertical relationships are not likely to cause appreciable adverse effect on competition in either the upstream segment or the downstream segment.

C. Vertical Overlap in supply of 'meta search service (MSS)' (upstream) by Ctrip (through Skyscanner) which directs end consumers to Go-MMT's websites for booking travel and travel related services in India (downstream)

42. It is stated in the notice that:

- a. MSS is only an ancillary / optional service and is not an essential input (like the services provided by the direct suppliers) for the players in the downstream market.
- b. There are other players in the market and Skyscanner does not appear to have incentive to foreclose the input (*i.e.* MSS) in the downstream market, as it does not seem to be a commercially viable option. Skyscanner has no commercial incentive to foreclose input in the downstream relevant market, as the main feature of MSS engines is to enable travellers to compare a wide range of offers from different players. Accordingly, for Skyscanner to remain competitive and profitable, it is required to list on its website the products/services of as many players of the downstream market as it can. Therefore, it has no incentive to cause a foreclosure of input in the downstream market.
- c. The GMV of air bookings on the MMT websites through Skyscanner for CY 2018 was a negligible fraction of the total air tickets booked on the platforms operated by the Go-MMT Group.
- d. Further, the arrangement between the Parties is on a non-exclusive basis, and the Parties can enter into similar arrangements with other business partners / customers in both the upstream and the downstream segments.

43. The Commission observed that the vertical relationship is not likely to cause appreciable adverse effect on competition in either the upstream segment or the downstream segment.



44. The exact market definitions have been left open as the Proposed Combination is not likely to raise any competition concern.
45. Considering the facts on record, 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 the 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 any 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.
46. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
47. The information provided by the Acquirers shall be treated as confidential in terms of and subject to the provisions of Section 57 of the Act.
48. The Secretary is directed to communicate to the Acquirers accordingly.