



सत्यमेव जयते



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2020/02/722)

24.02.2020

Notice under Section 6(2) of the Competition Act, 2002 filed by NTPC Limited.

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

1. On 05.02.2020, the Competition Commission of India (**Commission**) received a Notice (**Notice**) under Section 6(2) of the Competition Act, 2002 (**Act**), filed by NTPC Limited (**NTPC/ Acquirer**). The Notice has been given pursuant to the decision of the Cabinet Committee on Economic Affairs (**CCEA**) for implementing the strategic disinvestment of Government of India (**GoI**) shareholding in North Eastern Electric Power Corporation Limited (**NEEPCO/Target**) along with transfer of management control to an identified Central Public Sector Enterprise (**CPSE**), a strategic buyer i.e. NTPC which has an 'in principal approval' of the Board of Director of NTPC dated 27.01.2020. (hereinafter, NTPC and NEEPCO will be referred to as "**Parties**").
2. The proposed combination relates to the acquisition of 100% of the issued and paid-up share capital of the NEEPCO by the NTPC from GoI (**Proposed Combination**).



3. During the course of review of the Proposed Combination, the Commission sought certain information / clarification(s) *inter alia*, relating to market share of the Parties; response to the same was received on 24.02.2020.
4. NTPC is a public company incorporated in India and stated to be listed on the Bombay Stock Exchange as well as the National Stock Exchange of India Limited. It is a Maharatna Company under the administrative control of the Ministry of Power, GoI which it holds 54.50% of the total paid-up share capital. It is stated that Acquirer is an energy conglomerate and principal business activity of the company is electric power generation through coal based thermal power plants.
5. Additionally, it is stated that NTPC also has presence in provision of consultancy services in engineering, operation and maintenance management, project management, contracts and procurement management, quality management, training and development, solar and renewable power projects, compliance to environmental norms for power stations, renovation and modernisation services (**R&M Services**).
6. NEEPCO is a Central Public Sector Enterprise, operating under the administrative control of the Ministry of Power, GoI. It is a government company with 100% of its total shares held by the GoI. The Target is stated to be a power utility, primarily operating in the north-eastern region of India. The principal business activity of NEEPCO is generation of power through hydro, thermal and solar power stations.
7. From the activities of the Parties it is noted that both Acquirer and Target are present in the business of power generation in India. The Commission observed that production/distribution chain of electricity consists of three segments, i.e., 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 different competitive dynamics and governed by different regulatory frameworks. Accordingly, generation, distribution and transmission of power may be delineated as separate relevant product markets.



8. The market for generation of power may be further segmented based on source of power generation such as thermal, nuclear, hydro, solar and other renewable sources, because of the varied characteristics, extent of availability, and regulations related to each of these sources of energy.
9. In relation to relevant geographic market, the Commission had observed that the regional power transmission grids have been synchronised by interconnection, resulting in operation of a national grid, which operates as the single seamless network for transmitting power across the nation. Thus, the relevant geographic market for both power generation and transmission activities may be defined as the “*entire territory of India*”.
10. With regard to vertical relationship, it is stated that there is an existing vertical overlap between the NTPC and NEEPCO, wherein, NTPC is present in upstream market for providing R&M Services (**Upstream Market-R&M Services**) and NEEPCO which is present in downstream market for operating power projects and power generation in India (**Downstream Market -Power Projects and power generation**).
11. However, precise definition of the relevant market is being left open, as the material on record does not suggest that the Proposed Combination is likely to have any appreciable adverse effect on competition in India.
12. It is observed that the activities of the Parties overlap in market for power generation in India at broader level, and at narrower level, in market for power generation through (i) hydro (ii) solar and (iii) other renewable sources. Further, the activities of Parties are also vertically placed with respect to Upstream Market-R&M Services and Downstream Market -Power Projects and power generation.
13. Based on installed capacity, as well as revenue from power generation, combined market shares of the Parties for generation of power in India, is in the range of [15-20] percent and the incremental market share as a result of the Proposed Combination is in the range of [0-5] percent. Further, the incremental market shares both in terms of installed capacity, and revenue from power generation, in the narrower markets of generation of power through hydro source, and through renewable sources is also in the range of [0-5]



percent and there are other players present such as Damodar Valley Corporation, NHPC Limited, Adani Power, Tata Power etc. present in the market for generation of power. With regard to the existing vertical relationship between Parties in R&M services, it is noted that the same is not significant to raise any competition concerns and there are other players such as WAPCOS, Mercom, Tractebel, L&T Sargent & Lundy, MottMacdonald, Mecon, Desein, Powermech, Tata Consulting Engineers, Feedback Infra, Ramboll, Engineers India Limited etc. who are engaged in the business of providing similar consultancy services in the power sector in India.

14. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on factors stated in Section 20(4) 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. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act.
15. This order shall stand revoked if, at any time, information provided by Acquirer is found to be incorrect.
16. The information provided by Acquirer is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
17. The Secretary is directed to communicate to the Acquirer, accordingly.