



19.12.2018

Notice u/s 6 (2) of the Competition Act, 2002 given by Hitachi Payment Services Private Limited

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Legal Representatives of the parties: M/s S&R Associates

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

1. On 22.11.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by Hitachi Payment Services Private Limited (“**HPY**”/ “**Acquirer**”), pursuant to a Joint Venture Agreement dated 27.10.2018 executed by and between the Acquirer, State Bank of India (“**SBI**”) and SBI Payment Services Private Limited (“**SBIPSPL**”/ “**Target**”).
2. The proposed combination involves acquisition of 26% of the issued equity share capital of SBIPSPL by HPY (“**Proposed Combination**”). Following completion of the Proposed Combination, SBI will hold remaining 74% of the equity share capital of SBIPSPL.



3. During the course of review of the Proposed Combination by the Commission, the Acquirer submitted certain information(s)/clarification(s) *vide* submissions dated 06.12.2018 and 10.12.2018, *inter alia*, relating to product overlaps and market shares.
4. HPY, a company incorporated in India, is a wholly owned indirect subsidiary of Hitachi Ltd (“**Hitachi Parent**”), a company incorporated in Japan. HPY is engaged in the supply of technology-based payment solutions to financial institutions, merchant/e-commerce aggregators, as well as FinTech companies. The services provided by HPY include: (i) services relating to deployment of ATMs, ATMs monitoring and maintenance services, cash management services and ATM driving and switching services (“**ATM Services**”); (ii) sale of cash recycling machines; (iii) support services for banks in becoming members of the card interchange networks, card personalisation, transaction processing and reconciliation services (“**Card Issuance Solutions**”); and (iv) provision of transaction processing for traditional Point of Sale (“**PoS**”), mobile PoS to banks and merchant aggregators and provision of e-commerce processing services (by way of payment gateways) to merchant aggregators together with certain ancillary services such as hardware maintenance and merchant support services (“**Payment Processing and Outsourced Services**”). Hitachi Parent and its subsidiaries (the “**Hitachi Group**”) are engaged in various industries, including information and telecommunications systems, financial services, urban development, power systems, transportation, electronic systems and equipment, construction machinery, and automotive systems.
5. SBIPSPL, a company incorporated in India, is a wholly owned subsidiary of SBI. It is engaged in the Merchant Acquiring Business (“**MAB**”) which includes identifying and enabling merchants to accept payment at merchant locations by deploying payment acceptance devices (“**Relevant Payment Devices**”) including PoS Terminals (for card payments), BharatQR (for QR code based payments), mobile application based payments *etc.* SBI and its directly and indirectly owned subsidiaries (the “**SBI Group**”) are engaged in the business of provision of a wide range of financial products and services to individuals, commercial enterprises, large corporates, public bodies and institutional customers through its various branches and outlets, joint ventures, subsidiaries and associate companies.



6. The provision of MAB include identification and acquisition of merchants for Relevant Payment Devices (“**Merchant Acquisition**”) and provision of transaction processing services (“**Transaction Processing Services**”) to enable merchants to accept payment. The Transaction Processing Services include merchant on boarding, transaction processing, ancillary services and hardware maintenance services *etc.* In context of the Proposed Combination, the Target is engaged in the business of Merchant Acquisition and the Acquirer is engaged in provision of Transaction Processing Services to the banks and financial institutions (such as Target) to enable their customers (i.e., identified merchants) to accept payments on Relevant Payment Devices.

7. Based on the above, it is noted that the activities of the Acquirer and Target do not overlap horizontally and are rather complementary in nature. Accordingly, in order to assess whether SBI and HPY collectively would have any ability or incentive to cause foreclosure in any of the market segment, the Commission examined the competitiveness of the Merchant Acquisition and Transaction Processing Services Market. As regards the Transaction Processing Services Market, the Commission considered the market shares in narrower market (only considering provision of such services in respect of PoS Terminals and excluding other digital payment methods) and observed that while HPY is estimated to have market share ranging between [20-30] percent, the market is competitive with presence of competitors such as Worldline with market share in the range of [30-40] percent and HDFC and First Data with market shares of [10-20] percent each. As regards the Merchant Acquisition Market, the Parties provided market shares taking into account the number of PoS terminals and Bharat QR codes deployed by such merchant acquirers. Based on the information, it is observed that SBI is the market leader with [10-20] percent market share, the market is competitive with presence of players such as Ratnakar Bank, Axis Bank, HDFC Bank and ICICI Bank with [10-20] percent market share each. Considering the presence of HPY and SBI in respective market segments, the Proposed Combination does not seem likely to confer any ability or incentive to cause any foreclosure concerns.



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2018/11/617)



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For Greater Good*

8. Considering the facts on record and the details provided in the notice given under Section 6(2) of the Act and assessment of the Proposed Combination on the basis of 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 in any of the relevant market(s) and therefore, the Commission hereby approves the same under Section 31(1) of the Act.
9. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
10. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
11. The Secretary is directed to communicate to the Acquirer accordingly.