Fair Competition
For Greater Good

COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2019/01/631)

6th March, 2019

Notice under Section 6 (2) of the Competition Act, 2002, jointly filed by Patanjali Ayurved Ltd, Divya Yog Mandir Trust, Patanjali Parivahan Private Ltd and Patanjali Gramodhyog Nyas.

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Mr. U. C. Nahta
Member

Ms. Sangeeta Verma
Member

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

1. On 14th January, 2019, the Competition Commission of India (hereinafter referred to as the **"Commission")** received a notice jointly filed by Patanjali Ayurved Ltd **("PAL"/ "Acquirer 1"**), Divya Yog Mandir Trust, through its business undertaking known as 'Divya Pharmacy' **("Divya Pharmacy"/ "Acquirer 2")**, Patanjali Parivahan Private Ltd **("PPPL"/ "Acquirer 3")** and Patanjali Gramodhyog Nyas **("Patanjali Gramodhyog"/ "Acquirer 4")** (hereinafter Acquirer 1, Acquirer 2, Acquirer 3 and Acquirer 4 are collectively referred to as **"Acquirers"**) in relation to acquisition of majority of the equity share capital and management of Ruchi Soya Industries Limited **("RSIL"/ "Target")**. Hereinafter, the Acquirers and RSIL are collectively referred to as **"Parties"**.

2. The notice was filed under sub-section (2) of Section 6 read with sub-section (a) of Section 5 of the Competition Act, 2002 **("Act")**, pursuant to Resolution Plan dated 2nd May, 2018, submitted by Acquirers in relation to RSIL, which is presently undergoing corporate insolvency resolution process initiated under the Insolvency and Bankruptcy Code, 2016 **("IBC")**.

3. Since notice was incomplete, 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")**, certain information(s) / clarification(s) *inter alia* relating to market size of overlapping products, market shares of the Parties in various markets and competitors were sought from the Acquirers vide letter dated 25th January, 2019. The subsequent responses filed by the Acquirers were also incomplete and the complete information was received on 5th March, 2019, after seeking the extension of time.

Parties to the Combination:

4. **PAL** is a public limited company incorporated in 2006. It is a diversified consumer goods company *inter alia* engaged in the manufacturing and marketing of Fast-Moving Consumer Goods **("FMCG")**, ayurvedic and medicinal products, food products, breakfast cereals, dairy products, edible oil, packaged water, and beverages.

5. **Divya Pharmacy** is a business undertaking under the Divya Yog Mandir Trust. It operates in the ayurvedic formulations space, and is present in many therapeutic segments. It is also engaged in manufacturing of traditional medicines like therapeutic oils, churana, vatis, bhasmas etc.

6. **PPPL** is a logistics services entity that provides transportation and logistics services on captive basis to various associated entities.

7. **Patanjali Gramodhyog** is a registered trust engaged in developing products and facilities for cattle welfare. It operates primarily in North India.

8. **RSIL**, listed on Bombay Stock Exchange **("BSE")** and National Stock Exchange **("NSE")**, is engaged in the business of manufacturing and marketing of edible oils, soya foods and oil derivatives. Some of the leading brands of RSIL are Nutrela, Mahakosh, Sunrich, Ruchi Gold, Ruchi Star, Soyumm, Ruchi No. 1 and Bakefat.

Relevant Market and Overlaps:

9. The Commission noted that the Proposed Combination primarily relates to manufacture and sale of edible oils, which are vital for the daily human diet and constitute an important source of energy. Edible oils is an essential commodity under the Essential Commodities Act, 1955 **("ECA")**. Food Safety and Standards Authority of India **("FSSAI")** specifies standards for manufacture of vegetable oils and fats.

10. In this regard, it is stated by the Acquirers that Indian edible oils market is highly fragmented and characterised by presence of a number of organized as well as local and unorganized players. Further, it is submitted by the Acquirers that imported edible oil accounts for 65-70% of the total oil consumption in India.

11. Apart from edible oil, soya foods/meal, bakery fats, oleo chemicals are essentially by-products from the edible oils' manufacturing process.

12. The Commission noted that activities of Acquirers and RSIL exhibit horizontal overlap in the following broad segments/markets in India: (i) the market for sale of edible oils ("**Edible Oils Market**"); and (ii) the market for sale of soya foods ("**Soya Foods Market**").

13. Further, the Commission observed that the above broader segments may also be sub-segmented. Within the broader edible oil market, the Commission observed that there is limited degree of substitutability between different types of vegetable oils considering differences in terms of composition, nutritional and taste profiles and prices between them. In this regard, it is stated by the Acquirers that the Parties exhibit horizontal

overlap in the following sub-segments: (i) Soyabean oil (ii) Sunflower oil (iii) Mustard oil and (iv) Rice bran oil.

14. Within the broader soya food market, the Commission observed that there are various by-products obtained from the oil extraction process of soyabeans, such as soya flour, soya flakes, soya lecithin, soya chunks, granules and soya milk etc. For the purpose of the assessment, these by-products were also classified as separate sub-segment as there is limited degree of substitutability considering the difference in usage, cooking pattern etc. In this regard, it is stated by the Acquirers that the Parties exhibit horizontal overlap in the soya chunks/ granules.

15. The Acquirers have submitted that there are no existing vertical relationships between the products of the Parties. However, in this regard, the Commission observed that PAL and RSIL have entered into various packing and processing agreements for edible oil and there could also be potential vertical overlaps between the Parties due to the Proposed Combination, such as (i) supply of soya flour (upstream) and manufacturing of soya chip/katories (downstream), (ii) supply of oleo chemicals (upstream) and manufacturing of bathing soap (downstream), (iii) supply of bakery fats (upstream) and manufacturing of biscuits (downstream).

16. The Commission decided to leave the delineation of the relevant market open as it was observed that the Proposed Combination is not likely to cause an appreciable adverse effect on competition in any of the possible alternative relevant markets that could be delineated.

Competition Assessment:

17. The Commission, with respect to overall edible oil market including its by-products, considered the market share of the Parties in broader segments as well as in sub-segments along with other factors such as fragmented nature, presence of a number of organized as well as local and unorganized players, low entry barriers and reliance on imports and observed that there will not likely to be any competition concern as a result of the Proposed Combination.

18. With regard to existing and potential vertical relationships, the Commission noted that these relationships may not cause any competition concerns due to lack of ability and incentive to foreclose the competition in any of the markets by the Parties.

19. 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 factors stated in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that proposed combination is not likely to have an appreciable adverse effect on competition in India.

20. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.

21. The information provided by the Acquirers shall be treated as confidential, at this stage, in terms of and subject to provisions of Section 57 of the Act.

22. The Secretary is directed to communicate to the Acquirers accordingly.