



22.11.2018

**Notice u/s 6 (2) of the Competition Act, 2002 given by Life Insurance Corporation
of India**

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

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

1. On 15.10.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by Life Insurance Corporation of India (“**LIC**” / “**Acquirer**”) pursuant to the resolution passed by Board of Directors of LIC dated 16.07.2018 and 04.09.2018.
2. The proposed combination relates to acquisition of controlling stake to the extent of 51% shareholding and management control rights in IDBI by LIC (“**Proposed Combination**”).
3. In terms of Regulation 14 of the CCI (Procedure in regard to the transaction of Business relating to Combinations) Regulations, 2011 (“**Combination Regulations**”), *vide* letter dated 30.10.2018, certain information(s)/ clarification(s) *inter alia*, relating to overlaps and relevant



market were sought from the Acquirer. The response to the same was submitted on 13.11.2018 after seeking extension of time.

4. LIC, a statutory body, incorporated under the Life Insurance Corporation Act, 1956 (“**LIC Act**”), is engaged in the provision of various schemes of life insurance to retail and corporate customers.
5. IDBI, originally constituted as a Development Financial Institution (DFI) under the Industrial Development Bank of India Act, 1964 (“**IDBI Act**”), is a listed entity and incorporated as a banking company under the Companies Act, 1956 (“**1956 Act**”). It operates as a full service universal bank and provides a wide gamut of financial products and services, encompassing deposits, loans, payment services and investment solutions.
6. As regards identification of overlapping operations between LIC and IDBI, the Commission noted that both LIC and IDBI, through their subsidiaries, associate companies (controlled) and joint ventures (JVs), are engaged in the provision of life insurance, housing finance, and mutual funds management. Further, LIC has equity shareholding in various banks along with right to nominate director on the board of a few banks. Considering the same, product segments of provision of life insurance, housing finance, mutual funds and banking services were considered for the competition assessment of the Proposed Combination.
7. As regards provision of life insurance services, the Commission observed that LIC is the market leader with significant market share both in terms of value and volume. However, IDBI’s presence in this product market is insignificant. Thus, the proposed combination is not likely to cause any significant change in competition dynamics of the provision of life insurance services in India considering the negligible presence of IDBI in this market.
8. As regards the market for housing finance, the Commission noted that LIC is present in this segment through its associate company LIC Housing Finance Limited. Also, LIC has shareholding in various banks such as State Bank of India, Punjab National Bank, Axis Bank, ICICI Bank *etc.* Further, LIC has a shareholder director/nominee director on board of



directors of a few banks. However, IDBI's presence in the market for housing finance is not considered to be significant enough to change the competition dynamics or to cause any appreciable adverse effect on competition.

9. As regards the mutual funds, the Commission in its decisional practice has undertaken the competition assessment at the broader level of mutual funds and narrower segments/sub-segments. The activities of LIC overlap in the segments of (a) growth /equity oriented scheme; (b) income/debt oriented scheme; (c) balanced fund scheme; (d) money market/liquid fund scheme; and (e) gilt funds. However, presence of LIC and IDBI in any of the aforesaid segments is not significant enough to cause any appreciable adverse effect on competition.
10. As regards the banking services (other than housing finance), the Commission observed that the activities of LIC (considering the portfolio investments made by LIC in various banks) and IDBI overlap in segments of (i) deposits; (ii) home loans; (iii) agricultural banking; (iv) card business; (v) retail banking services other than card business, deposits and home loan; (vi) medium and small business banking; and (viii) wholesale banking (other than retail business banking). In all the aforesaid segments of banking services, the overlaps are not significant to cause any change in competition dynamics considering the extent of presence of IDBI.
11. The Commission further observed that there is a potential vertical relationship between LIC and IDBI with regard to bancassurance services. However, in this regard, the Commission observed that considering the nature of bancassurance services and presence of IDBI in bancassurance segment, the Proposed Combination is not likely to confer any ability or provide any incentive to LIC to foreclose other banks engaged in provision of bancassurance services.
12. 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



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2018/10/605)



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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.

13. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
14. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
15. The Secretary is directed to communicate to the Acquirer accordingly.