

## SUMMARY OF COMBINATION

**Summary of Combination prepared under Section 13(1A) of the Competition Commission of India (Procedure in Regard to the Transaction of Business Relating to Combinations) Regulations, 2011.**

### **1. Introduction:**

The instant transaction relates to the acquisition of the Target i.e. Jhabua Power limited as per the Corporate Insolvency Resolution Process (“**CIRP**”) set out under the Insolvency and Bankruptcy Code, 2016 (“**The Code**”). The Acquirer proposes for revival of the Target through the Resolution Plan by extinguishing the equity shares held by the existing shareholders of the Target. Pursuant to approval of the Resolution Plan by NCLT, the Target shall issue fresh equity shares to the Acquirer. The Acquirer shall hold 100% of paid-up share capital shareholding of the Target. (“**Proposed Transaction**”).

### **2. The Product Services and Businesses of the Parties:**

**2.1. Products & Services of the Parties:** Please find set out below the details of the products manufactured/sold by the Parties and their subsidiaries in India:

	<b>Products / Services of the Acquirer</b>	<b>Products / Services of the Target</b>
Directly	Electric power generation Consultancy Coal mining for captive consumption.	Electric power generation
Through subsidiaries	Electric power generation Trading of energy	N/A

## **2.2. Business Activities of the Parties:**

**2.2.1. Business activities of the Acquirer in India:** The Acquirer is India's largest energy conglomerate and a Maharatna Company having presence in the entire value chain of the power generation business. The principal business activity of the company is electric power generation through coal based thermal power plants. The Acquirer is also engaged in the business of generation of electricity from hydro and renewable energy sources. To strengthen its core business the company has diversified into the fields of coal mining, consultancy, power equipment manufacturing and power trading etc.

**2.2.2. Business activities of the Target in India:** The Target is a power utility, primarily operating in the central, southern and western regions of India. The principal business activity of the Target is generation of power through thermal power station.

**2.2.3. Business activities of the Acquirer outside India:** The Acquirer has two JVs functioning outside India, namely, Trincomalee Power Company Limited, which was formed to undertake the development, construction, establishment, operation and maintenance and of a electricity generating station Trincomalee at Sri Lanka and Bangladesh-India Friendship Power Company Limited, which was formed for developing a (2X660 MW) coal based power project at Khulna Division, Rampal, Bangladesh. The Acquirer also provides consultancy services to countries outside India and has provided consultancy services to the Gulf countries, Bangladesh, Nepal, Sri Lanka and Bhutan.

**2.2.4. Business activities of the Target outside India:** The Target does not

have any activities outside of the territory of India.

### 3. Value of Assets and Turnover:

3.1. The assets and turnover of the Parties are set out below<sup>1</sup>:

Name of Parties	Assets (as on 31.03.2019)		Turnover (FY 2019)	
	In India (INR crore)	Worldwide USD (million)	In India (INR crore)	Worldwide USD (million)
<b>Acquirer</b>	3,17,396.40	45,020.77	102,934.27	14,600.61
<b>Target</b>	4219.55	598.52	1114.92	158.14
<b>Combined</b>	321615.95	45619.28	1,04,049.19	14,758.75

### 4. Respective Markets of Operation of the Parties:

4.1. The Acquirer and the Target are present in the business of power generation through thermal power stations. The Acquirer is engaged in the business of power generation directly, by way of thermal, solar, wind and hydro power stations, as well as through its subsidiaries, by way of its power stations, and the Target is engaged in the business of power generation by way of thermal power stations.

4.2. However, the installed capacity for each source of power generation when considered individually constitutes a low share and therefore the market need not be sub-segmented in terms of the source of power

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<sup>1</sup> For the purposes of this Notice, the conversion rate used is 1 USD = INR 70.50, based on the average spot rate of the last six months, from 02.12.2019 (i.e. the date of the direction from the Ministry of Power to NTPC), as quoted by the Reserve Bank of India.

generation. This is in consistency with the approach followed by the Hon'ble Commission in its previous decisions.

- 4.3. Within the segment of power generation, there are different means by which power can be generated, i.e., thermal, hydroelectric, other renewable energy sources and nuclear. From a consumer's perspective, it should be noted that the means of generation of power is irrelevant, so long as power is available to the consumers.
- 4.4. On the other hand, from the suppliers' perspective, it is relatively easy for any entity to establish a power plant in India. There are no licenses required for the purpose of setting up of a power generation plant in India except the Techno Economic clearance from CEA in case of hydro stations).
- 4.5. Accordingly, the relevant product market in relation to the Proposed Transaction should be defined as the "**market for generation of power in India**".

**5. Details of Board Documents executed/passed in relation to the Combination:**

- 5.1. Board Resolution dated 18.10.2019 passed by the Board of the Acquirer for the Proposed Transaction.
- 5.2. Letter dated 21.02.2020 authorising SKV Law Offices to act and to receive communication on behalf of the Acquirer.

**6. Nature and Scope:**

- 6.1. With its vision for achieving its long-term capacity targets, the Acquirer is aiming at possible acquisition of Target located in Madhya Pradesh,

India. The potential acquisition of the Target by the Acquirer is in line with the Acquirer's vision of achieving 130 GW generation capacity by 2032. Therefore, the Acquirer is participating in the CIRP of the Target as per the scheme set out in the Insolvency Code.

- 6.2. The Acquirer understands that the target is a Power Generation Company based at Seoni district in the State of Madhya Pradesh. The plant is generating power on commercial basis. The Target has a tied-up capacity to the tune of 71% out of which 35% capacity is tied up with the state of Madhya Pradesh and 36% capacity with the state of Kerala. The plant has fuel linkage for tied up capacity with SECL & MCL which are subsidiaries of Coal India Limited. The nearest Railway station is Binaiki for coal transportation which is about 2 kms away from the plant. Each of the above facets makes the Target a valuable and commercially attractive asset for the Acquirer. For all the reasons set out above, and in particular the Target's potential to increase its production capacity, the Target and its operations are a great strategic fit for the Acquirer.

## **7. Likely Impact of the Combination in Relevant Markets:**

- 7.1. Post the Proposed Transaction, there shall be a miniscule increment in market share which cannot result in the creation or strengthening of market power.