

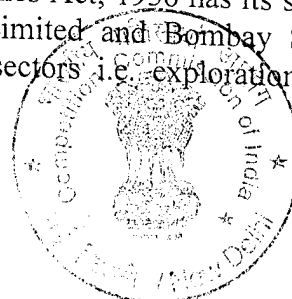
# COMPETITION COMMISSION OF INDIA

Dated: 26<sup>th</sup> July, 2011

Combination Registration No. C-2011/07/01

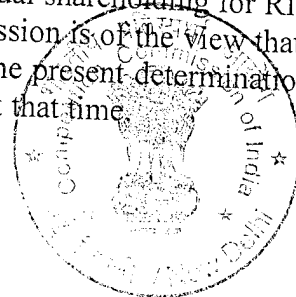
## Order under Section 31(1) of the Act

1. The Competition Commission of India (hereinafter referred to as "**Commission**"), on July 8, 2011, received a notice from Reliance Industries Limited (hereinafter referred to as "**RIL**") and Reliance Industrial Infrastructure Limited (hereinafter referred to as "**RIIL**") {jointly referred to as "**Acquirers**"} relating to a proposed combination under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as "**Act**"). The Commission considered the matter in its meeting held on July 26, 2011.
2. The proposed combination relates to the acquisition, by Acquirers, of seventy four per cent of the share capital each in the joint venture companies i.e. Bharti AXA Life Insurance Company Limited (hereinafter referred to as "**BAL**") and Bharti AXA General Insurance Company Limited (hereinafter referred to as "**BAG**") {hereinafter jointly referred to as "**Acquired Enterprise(s)**} from Bharti Ventures Limited (hereinafter referred to as "**BVL**"), Bharti Enterprises Limited (hereinafter referred to as "**BEL**") and Bharti Overseas Private Limited (hereinafter referred to as "**BOPL**") {collectively referred to as "**Bharti Entities**"}. Therefore, the proposed combination falls under clause (a) of Section 5 of the Act.
3. BAL and BAG are the joint venture companies between Bharti Entities and AXA SA, headquartered in Paris, France (hereinafter referred to as "**AXA**"). The Acquirers have stated in the notice that the Acquirers and AXA shall have equal representation on the board and each of the two Acquired Enterprise(s) will be jointly controlled.
4. The acquisition by the Acquirers of the entire seventy four per cent share capital held by Bharti Entities in each of the Acquired Enterprise(s) is pursuant to the binding share purchase terms dated June 10, 2011 (hereinafter referred to as "**binding document**") executed between AXA, Bharti Entities and RIL which is stated to have triggered the filing requirement under sub-section (2) of Section 6 of the Act.
5. RIL, incorporated in the year 1973 under the Companies Act, 1956 has its shares listed at both National Stock Exchange of India Limited and Bombay Stock Exchange Limited and is present in multitude of sectors i.e. exploration and

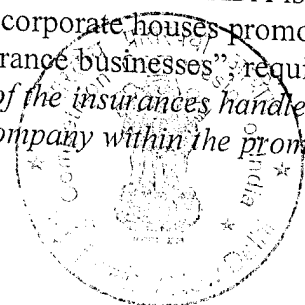


production of oil and gas, petroleum refining and marketing, petrochemicals, textiles, retail, wireless broadband etc.

6. RIIL, incorporated in the year 1988 under the Companies Act, 1956 has its shares listed at both National Stock Exchange of India Limited and Bombay Stock Exchange Limited and is mainly engaged in providing industrial infrastructure services.
7. BAL is a joint venture between Bharti Entities and AXA Group of France in which the Bharti entities, directly and indirectly hold seventy four per cent shareholding and the AXA directly and indirectly holds the remaining twenty six per cent shareholding. BAL was incorporated in the year 2005 under the Companies Act, 1956. BAL started its operations in December, 2006. It is a life insurance company, registered with Insurance Regulatory Development Authority (hereinafter referred to as "IRDA").
8. BAG is a joint venture between Bharti Entities and AXA Group of France in which the Bharti entities, directly and indirectly hold seventy four per cent shareholding and the AXA, directly and indirectly hold the remaining twenty six per cent shareholding. BAG was incorporated in the year 2007 under the Companies Act, 1956. BAG started its operations in August, 2008. It is a general insurance company, registered with IRDA.
9. The Acquirers have stated that their direct and indirect acquisition of the entire seventy four per cent shareholding of the Bharti entities in each of the Acquired Enterprise(s) are inter-connected and inter-dependent and therefore, in adherence to sub-regulation(4) of Regulation 9 of the Combination Regulations, a single notice has been filed with the Commission in relation to both the transactions.
10. As the binding document which triggered the filing requirement under sub-section(2) of Section 6 of the Act was not submitted along with the notice, therefore the Acquirers were requested on July 11, 2011 to furnish the said binding document. The Acquirers furnished the said binding document on July 15, 2011.
11. It is stated in the notice that subject to the applicable laws, within a period of four years from the date of investment, the Acquirers and AXA have agreed to have equal shareholding in each of the Acquired Enterprise(s). RIL and AXA have also issued a Press Release dated June 10, 2011 stating therein that on completion of the proposed transaction, RIL and RIIL would effectively own 57 and 17 percent respectively in each of the Acquired Enterprise(s). Further it is stated in the Press Release as well as in the notice that the proposed agreement contemplates an option by which AXA would acquire from RIL and RIIL upto 24 per cent shareholding in each of the Acquired Enterprise(s) in accordance with the applicable regulations as and when the FDI regulations permit such holding by AXA. This option, if exercised, would result in an equal shareholding for RIL and RIIL on one side and AXA on the other. The Commission is of the view that such an acquisition by AXA at a later date is not part of the present determination and shall be dealt accordingly as per the applicable laws at that time.



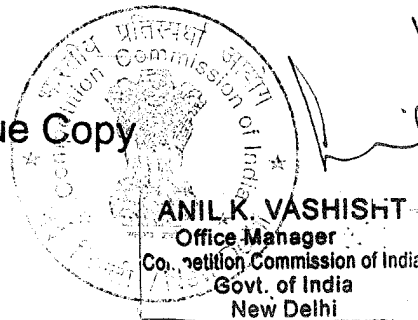
12. The proposed combination relates to the insurance sector in India. The insurance sector in India can be broadly divided into life insurance, general insurance and reinsurance business. There are presently forty-nine insurance companies in India, registered with IRDA which offer various life, non-life insurance and re-insurance products. Out of these total forty-nine insurance companies, twenty four each are present in the life and non-life insurance business and one insurance company is present in the reinsurance business.
13. The insurance sector in India is highly fragmented with presence of forty-one private players in life and general insurance business sharing among themselves around thirty per cent of the market share in life insurance sector and around forty per cent of the market share in general insurance sector.
14. The insurance sector in India is a regulated sector. Any investment and entry into the insurance sector is subject to the prior approval of IRDA. The remuneration from the policyholders for carrying out insurance, the premium structure, launch of new products etc. are all regulated by IRDA. As per the applicable laws, foreign direct investment up to twenty six per cent is allowed in the insurance sector under the automatic route.
15. For the period ending March 2011, the market share (based on the first year renewal premium) of BAL is 0.29 per cent and market share of BAG is 1.30 per cent. The top five companies in the life insurance business in India account for approximately 87 per cent of the business, Life Insurance Corporation of India being one of the major players with approximately 69 per cent market share. Similarly, in the general insurance business, the top five companies account for approximately 69 per cent market share.
16. The Acquirers do not directly operate either in the life insurance or the general insurance business. BAL and BAG also do not operate in the business in which the Acquirers operate.
17. In relation to the proposed combination, it is also noted that one of the subsidiary companies of the RIL i.e. Reliance Retail Insurance Broking Limited (hereinafter referred to as "**RIB**") is registered as a direct broker under IRDA (Insurance Brokers) Regulations, 2002. RIB has no broking relationship with BAG but has in the past placed business with BAL. Therefore, there exists a vertical relationship between the RIL and the Acquired Enterprise(s).
18. As on June 30, 2011 there were 312 registered IRDA brokers in India. RIB is comparatively a new entrant in the insurance broking business. Taking into account the presence of several IRDA registered brokers in the insurance sector, it is unlikely that RIB, as a broker in the downstream market, can pose any competitive constraint post combination. Further, it is also noted that IRDA issued a memorandum on March 18, 2008 on the subject of "corporate houses promoting insurance broking companies in addition to doing insurance businesses" requiring that *"the broker shall ensure that not more than 25% of the insurances handled by it in any financial year is placed with the insurance company within the promoter*



*group separately for life and for general insurance business. The broker shall establish internal machinery to monitor this on an ongoing basis”.*

19. In light of the above, it is found that the Acquirers and the Acquired Enterprise(s) do not operate in interchangeable or substitutable products. Thus, there is no horizontal overlap in the proposed combination. There is also no significant vertical relationship found in the proposed combination which could pose any competitive constraints in the life and general insurance business. Taking into account the presence of many players in both the life and general insurance sectors and insignificant market share of each of the Acquired Enterprise(s) and having due regard to the factors given in sub-section(4) of Section 20 of the Act, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition.
20. Based on the facts on record and the notice filed by the Acquirers under sub-section (2) of Section 6 of the Act, and the assessment of the proposed combination, the Commission hereby approves the proposed combination in which the Acquirers will directly and indirectly hold seventy four per cent of the share capital in each of the Acquired Enterprise(s) as it is not likely to have an appreciable adverse effect on competition.
21. This approval is without prejudice to compliance of any other statutory obligations as applicable.
22. This order shall stand revoked if, at any stage, the information given in the notice is found to be incorrect.
23. Secretary is directed to communicate the Acquirers accordingly.

Certified True Copy



20/7/2011