



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/04/268)

15th June, 2015

Notice under Section 6 (2) of the Competition Act, 2002 given by IndusInd Bank Limited

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

1. On 22nd April, 2015, the Commission received a notice given by IndusInd Bank Limited (“**Acquirer**”) under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”).
2. The notice was given in relation to the proposed combination between the Acquirer and Royal Bank of Scotland N.V. (“**Seller**”) as a result of which the Acquirer will acquire the entire banking portfolio of the Seller vis-à-vis its Indian customers engaged in the cutting and polishing of gems and manufacture of jewellery (“**Gem and Jewellery Business**”) by way of a slump sale (“**Proposed Combination**”). The Acquirer and the Seller are hereinafter collectively referred to as “**Parties**”.
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), vide letter dated 6th May 2015, the Acquirer was required to remove defects and furnish certain information / document (s) by 11th May 2015. The Acquirer filed its response on 13th May 2015 after seeking an extension. However, the response of the Acquirer was found to be incomplete and therefore, another letter dated 15th May 2015 was issued to the Parties.
4. The Acquirer is a banking company and has a total of 801 branches in India through which it provides a range of banking services to its customers in India.
5. The Seller is an international bank and has been issued a license by the Reserve Bank of India to provide banking services in India through branch offices. At present, it has 10 branches in India.
6. With regard to the definition of relevant market, the Acquirer submitted that the definition of relevant market should be left open in the case of the proposed combination. However, it was stated that “*the appropriate frame of reference in relation to the proposed*”



combination is the market for provision of banking services to commercial enterprises by scheduled commercial banks”.

7. In this regard, it is observed from the nature of ancillary services provided to the gem and jewellery customers of the banks that the requirements of these customers of the banks may be different from other banking customers. The banking portfolio pertaining to customers engaged in gem and jewellery business forms a standalone bouquet of services offered to such customers. In this regard, it is also noted that the Acquirer is purchasing only the banking portfolio of the customers engaged in gem and jewellery business. These facts indicate that the said bouquet of banking services to the customers engaged in gem and jewellery business provided on a standalone basis could form a separate relevant product market.
8. Further, with regard to the relevant geographic market, it is observed that majority of the customers engaged in the gem and jewellery business have family run businesses; and, therefore, fall under the category of small and medium enterprises. Since small and medium enterprises are dependent on local banks for availing banking services, the relevant geographic market for the proposed combination would be considered as a local market. Further, it is noted that the horizontal overlap between the Parties is only vis-à-vis the customers based in Mumbai, as RBS is stated to provide service to its customers engaged in gems and jewellery business from its sole branch located at Fort in Mumbai.
9. As per the information available on record, as regards the average distance travelled by the gems and jewellery customers of the Parties for availing the said services from the respective branches located at Fort in Mumbai, it is observed that the average distance between the sole RBS branch and its respective customers as well as the average distance between the Acquirer's branches and their respective customers, is about [15-20] kilometres. The horizontal overlap between the Parties in terms of the distance travelled by their gems and jewellery customers is, therefore, assessed in terms of the customers located in radius of about [15-20] kilometres from the Fort branch of the Seller and the branches of the Acquirer located in the said radius. The said radius of about [15-20] kilometres has, therefore, been taken as the primary service area of the Parties in respect of the proposed combination. The same may also be considered as the narrowest relevant geographic market for the purpose of the proposed combination.



10. The primary service area of the competitors of the Parties may also have a similar radius of about [15-20] kilometres. Accordingly, the competitors of the Parties may have significant overlaps with the Parties in the primary service area as part of the relevant geographic market. However, in view of a chain reaction sequence, there could also be a possibility that even those competitors, who do not have a direct overlap in the primary service area of the Parties, will also be a part of the relevant geographic market, since the customers forming part of all areas covered by the chain reaction sequence could be sensitive to a small but significant increase in the service charges and/or credit rates by their respective banks. Given the well-established connectivity between the districts of Mumbai and Mumbai sub-urban (collectively “**Mumbai**”), it may be presumed that the said districts will at least form part of the chain reaction sequence. Therefore, in the present case, the relevant geographic market may be considered as comprising of at least the said districts which form part of Mumbai.
11. In this regard, it is noted that Mumbai has a very high density of branches of the scheduled banks with most banks providing credit to gem and jewellery business. It is noted that the primary service area of the Parties itself has approximately 1000 plus branches of other banks. Mumbai is also stated to have more than 2500 branches of all banks out of which only 30 branches are of the Acquirer. Further, post combination, the market share of the Acquirer would not be significant so as to cause an appreciable adverse effect on competition in the relevant market. In this regard, it is also observed that larger players such as State Bank of India, Bank of India, ICICI Bank and Union Bank of India are also present in the gem and jewellery segment of banking.
12. Further, as regards the impact of the proposed combination on the gem and jewellery customers of the Seller who do not wish to migrate to the Acquirer, it has been submitted by the Acquirer that such customers will continue to be the customer of the Seller and will be governed by their existing contracts with the Seller. In this regard, it has also been stated by the Acquirer that if such customers wish to migrate to other banks due to the Seller exiting from the business of providing banking services to gem and jewellery customers, no charges and/or penalty will be levied on these customers on account of migration to other banks.
13. Considering the facts on record and the 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 the proposed combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the same under sub section (1) of section 31 of the Act.

14. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
15. The Secretary is directed to communicate to the Acquirers accordingly.