15.01.2016

Notice under Section 6 (2) of the Competition Act, 2002 given by
- Marriott International, Inc. and,
- Starwood Hotels & Resorts Worldwide, Inc.

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

CORAM:
Mr. S. L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Mr. G. P. Mittal
Member

Legal representative: M/s J. Sagar Associates

1. On 15.12.2015, the Competition Commission of India (“Commission”) received a notice jointly filed by Marriott International, Inc. (“Marriott”) and Starwood Hotels & Resorts Worldwide, Inc. (“Starwood”) under sub-section (2) of Section 6 of the Competition Act, 2002 (“Act”).

2. The notice has been filed pursuant to the execution of an Agreement and Plan of Merger (“Agreement”) by and among the Marriott, Starwood and their certain subsidiaries\(^1\) on 15.11.2015. (Hereinafter, Marriott and Starwood are collectively referred to as the “Parties”).

\(^1\) Mars Merger Sub, Inc., Mars Merger Sub, LLC., Solar Merger Sub 1, Inc., Solar Merger Sub 2, Inc.
3. The Parties have submitted that the proposed combination relates to the acquisition of Starwood by Marriott and as per the Agreement, the same is to be effected through a series of steps as a result of which Starwood shareholders would own approximately 37 percent of the combined company’s common stock.2

4. The proposed combination relates to the hotel industry and Parties have submitted that hotel business is carried by using three models:

(a) **Own and operate model**: The enterprise owns and operates the hotel. In this model, entire revenue generated belongs to such enterprise.

(b) **Management model**: In case of management model, hotel is owned by a third party, independent from the hotel chain such as Marriott/Starwood and the owner of the hotel employs a hotel chain to manage and operate the hotel on its behalf. For this purpose, the owner of the hotel pays the management fees to the hotel chain. Generally, the hotel manager makes all operational decisions, including those in relation to room rates.

(c) **Franchise model**: A franchised hotel is owned by a third party who may either manage and operate the hotel itself or may instead use a third-party manager, which is independent from a hotel chain. In this model, the franchisee operates the hotel under the brand name of a hotel chain and pays a fee for this purpose to the hotel chain.

5. Marriott, a company listed on the NASDAQ Stock Market and the Chicago Stock Exchange in USA, is engaged in operating, franchising and licensing hotels. In India, it manages hotels under several of its brands such as the Ritz-Carlton, Bulgari, Edition, JW Marriott and Marriott Hotels and does not have any owned, leased or franchised hotels. It conducts business in India through two entities, namely, (a) Marriott Hotels India Private Limited and (b) SAMHI JV Business Hotels Private Limited.

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2 *The timeshare business of Starwood which has activities in the USA, Mexico and US Virgin Islands is being spun off into a separate company and Parties have submitted that the proposed combination is conditional on this spin-off. The Commission has not examined the same.*
6. Starwood, a company listed on the New York Stock Exchange in USA, is engaged in operating, franchising and licensing hotels. In India, it primarily manages and franchises hotels under several of its brands such as Le Meridian, Sheraton, St. Regis and Westin. It conducts business in India through two entities, namely, (a) Starwood Hotels & Resorts India Private Limited and (b) Starwood India Private Limited.

7. The Parties operate four / five star hotels in different cities across India and overlaps in their operations exist in twelve cities of India namely, Agra, Ahmadabad, Bengaluru, Chandigarh, Chennai, Gurgaon, Hyderabad, Jaipur, Kochi, Mumbai, New Delhi and Pune. In this regard, Parties have submitted that as consumer’s preference is limited to the hotels in a particular city in which he/she may be travelling, relevant geographic market may be delineated as local. However, the exact market definition can be left open as the proposed combination does not give rise to competition concern irrespective of how the market is defined.

8. The segment of four / five star hotels is characterized by the presence of a large number of players such as The Indian Hotels Company Limited (Taj Group), The East India Hotels Company (The Oberoi Group), The Leela Group of Hotels, Lemon Tree Hotels, Park Hotels, The Radisson Hotels, Hilton, Hyatt, Intercontinental Hotel Group etc. which are providing similar services across various cities in India. As regards horizontal overlaps, it is observed that given the market shares of the Parties and the presence of a large number of competitors, the combination is not likely to raise competition concerns, irrespective of the manner in which the market is defined. In relation to the vertical overlaps, the Parties have submitted that they are not engaged in any activity which can be regarded as being at different stages or levels of the production chain and therefore, there is no vertical relationship between them.

9. 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.
10. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.

11. The Secretary is directed to communicate to the Parties accordingly.