

## COMPETITION COMMISSION OF INDIA

7<sup>th</sup> March, 2012

Combination Registration No.: C-2012/01/28

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

1. On 27<sup>th</sup> January, 2012, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (hereinafter referred to as “**Act**”) of a proposed combination jointly filed by Alok Industries Limited (hereinafter referred to as “**AIL**”) and Grabal Alok Impex Limited (hereinafter referred to as “**GRAIL**”) (hereinafter AIL and GRAIL are collectively referred to as “**parties to the combination**”), pursuant to approval of the scheme of amalgamation under the provisions of Sections 391 to 394 of the Companies Act, 1956, under which GRAIL would merge into AIL, by the board of directors of AIL and GRAIL on 29<sup>th</sup> July, 2011 and 30<sup>th</sup> July, 2011, respectively
2. The parties to the combination, along with the notice, also filed an application dated 27<sup>th</sup> January, 2012 requesting the Commission for condoning the delay in filing the notice as the notice was filed in the Commission beyond the time limit mentioned in sub-section (2) of Section 6 of the Act. The Commission in its meeting held on 2<sup>nd</sup> February, 2012, considered the said application and decided to admit the belated notice with effect from 2<sup>nd</sup> February, 2012. The Commission in the said meeting also decided to initiate separate proceedings under Section 43A of the Act as the notice was not filed in accordance with the provisions contained under sub-section (2) of Section 6 of the Act.
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as “**Combination Regulations**”), on 10<sup>th</sup> February, 2012, the parties to the combination were required to remove defect(s) and provide certain information/document(s), which were furnished by them on 27<sup>th</sup> February, 2012.
4. The proposed combination falls under Section 5(c) of the Act.



5. AIL is a listed public limited company incorporated under the provisions of the Companies Act, 1956. As per the information given in the notice and other documents placed on record, AIL is an integrated textile producer, and is present across the value chain of the textile business. AIL is primarily engaged in the manufacture of cotton and polyester yarn, apparel fabrics, home textiles and garments and has sales both in India and outside India. Further, AIL is engaged in the retail business in India and United Kingdom and also has investments in real estate sector.
6. GRAIL is a listed public limited company, incorporated under the provisions of the Companies Act, 1956. As per the information given in the notice and other documents placed on record, GRAIL is a company promoted by AIL and is engaged in the manufacture of embroidered products having application in home textiles, apparel fabrics and garments and has sales both in India and outside India.
7. As per information given in the notice and other documents placed on record, the promoter group of both AIL and GRAIL is common and four directors, constituting the majority of the whole-time directors of GRAIL, are common amongst AIL and GRAIL. Further, the Joint Managing Director of AIL is also the Managing Director of GRAIL. Accordingly, AIL and GRAIL is stated to be under common control and under the same management.
8. It is stated in the notice that the parties to the combination are not engaged in production of similar or identical or substitutable goods or provision of similar or identical or substitutable services. While AIL is predominantly engaged in the manufacture of cotton and polyester yarn, apparel fabrics, home textiles and garments, GRAIL is engaged in the business of manufacturing embroidered products. As regards the engagement of the parties to the combination in any activity of production, supply, distribution, storage, sale and service or trade in products or provision of services which are at different stages or levels of the production chain, it is stated in the notice and other documents placed on record that when fabrics manufactured by AIL require further value addition through embroidery work, AIL gets such work done at the facilities of GRAIL and also that GRAIL, in addition to procurement of fabrics and threads from other vendors, sometimes procures the same from AIL and also uses processing facilities of AIL for dyeing of embroidered products, etc. However, as per the Annual Report 2010-11 of AIL and GRAIL, the sales/ purchase of products and services by the parties to the combination



to/from each other is very small and out of the total sales and purchase of products and services of each of the parties to the combination, the sales and purchase of products and services of each to/from the other is also insignificant.

9. As per the publicly available information, the Indian textile industry comprises of handloom, powerloom and mill sector. The mill sector is a well-organised, sophisticated and modern sector of the industry, unlike the powerloom and handloom sectors. Further, at each stage of the value chain, the textile industry is highly fragmented in nature and is characterised by the presence of a large number of small as well as big players along with ease of entry for the new players.
10. It is observed that the parties to the combination are not engaged in the production of similar or identical or substitutable goods or provision of similar or identical or substitutable services. The parties to the combination are engaged in activities which are at different stages or levels of the production chain in the textile business and, in addition to providing products/services to other customers, sometimes provide products/services to each other also. It is, however, observed that the sales and purchase of products/services of parties to the combination to/from each other is very small and out of the total sales and purchase of products and services of each of the parties to the combination, the sales and purchase of each to/from the other is also insignificant. The businesses in which AIL and GRAIL, the entities under the same management and control, are engaged is fragmented in nature and is characterised by the presence of a large number of players along with ease of entry for the new players. Therefore, the proposed combination is not likely to have any adverse competition concern.
11. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the proposed acquisition, the Commission is of the opinion that the proposed acquisition is not likely to have an appreciable adverse effect on competition in India. The Commission therefore, hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.
12. This approval is without prejudice to any other legal or statutory obligations as applicable.



13. This order shall stand revoked if, at any time, the information provided by the parties to the combination is found to be incorrect.

14. The Secretary is directed to communicate to the parties to the combination accordingly.



Certified True Copy

  
19/3/12  
ANIL K. VASHISHT  
Office Manager  
Competition Commission of India  
New Delhi