

COMPETITION COMMISSION OF INDIA

12th April, 2012

Combination Registration No.: C-2012/03/45

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

1. On 22nd March, 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 the “**Act**”) of a proposed combination, from Sterlite Industries (India) Limited (hereinafter referred to as “**SIIL**”), Madras Aluminium Company Limited (hereinafter referred to as “**MALCO**”), Ekaterina Limited (hereinafter referred to as “**Ekaterina**”) and Sesa Goa Limited (hereinafter referred to as “**SGL**”), pursuant to two composite schemes of amalgamation, i.e. scheme of amalgamation and arrangement under Sections 391-394 read with Sections 78 and 100-103 of the Companies Act, 1956 between SIIL, MALCO, Sesa Energy Limited (hereinafter referred to “**SEL**”), SGL and Vedanta Aluminum Limited (hereinafter referred to as “**VAL**”) (hereinafter referred to as the “**India Scheme**”), a separate scheme of arrangement under Sections 261-264 of the Mauritius Companies Act, 2001 between Ekaterina and SGL (hereinafter referred to as the “**Ekaterina Scheme**”) and inter-se transfer of holdings of some of the group companies, inter-alia transfer of 38.80 per cent stake in Cairn India Limited (hereinafter referred to as “**Cairn India**”) of Twinstar Mauritius Holdings Limited (hereinafter referred to as “**TMHL**”), a wholly owned subsidiary of Twinstar Energy Limited (hereinafter referred to as “**TEL**”), which in turn is a wholly owned subsidiary of Vedanta Resources Plc (hereinafter referred to as “**VR**”) to SGL, whose 55.1 per cent shareholding is held by VR. The India Scheme was approved by the Board of Directors of SIIL, MALCO and SGL and the Ekaterina Scheme was approved by the Board of Directors of Ekaterina and SGL, on 25th February, 2012.
2. SIIL is a listed public limited company, incorporated under the provisions of the Companies Act, 1956. 54.6 per cent of shareholding of SIIL is held by VR, 3.6 per cent is held by MALCO and the remaining is held by the public. SIIL is engaged in the business of copper smelting and refining and its principal products are copper cathodes, copper rods and phosphoric acid. SIIL, through its subsidiary Bharat Aluminum Company Limited (hereinafter referred to as “**BALCO**”) is also engaged in the aluminum business. The principal products of BALCO are alumina, primary aluminum and aluminum rolled products.



3. MALCO is an unlisted public company, incorporated under the provisions of the Companies Act, 1956. 94.8 per cent shareholding of MALCO is held by VR. MALCO is engaged in the business of power generation. As stated in the notice, MALCO has no aluminum production business since November, 2008.
4. SEL is an unlisted company, incorporated under the provisions of the Companies Act, 1956 and is a wholly owned subsidiary of SIIL. SEL is engaged in the business of power generation.
5. VAL is an unlisted company, incorporated under the provisions of the Companies Act, 1956. SIIL holds 29.5 per cent of the shareholding of VAL, while the balance 70.5 per cent of the shareholding of VAL is held by VR through its wholly owned subsidiaries Welter Trading Limited (hereinafter referred to as “Welter”) and Twinstar Holdings Limited (hereinafter referred to as “THL”). Welter holds 25 per cent shareholding of VAL and THL holds 45.5 per cent shareholding in VAL. VAL is engaged in the production of alumina and other aluminum products. VAL also owns the power plants which are stated to be primarily used captively.
6. Ekaterina is a company incorporated under the provisions of the Mauritius Companies Act on 21st December, 2011. VR through its wholly owned subsidiary THL holds 100 per cent of the equity shareholding of Ekaterina. It is observed that currently, Ekaterina is not engaged in any business.
7. SGL is a listed company, incorporated under the provisions of the Companies Act, 1956. As already stated, 55.1 per cent of the shareholding of SGL is held by VR and the remaining is held by the public. SGL is engaged in the exploration, mining and processing of iron-ore.
8. Cairn India is a listed public company, incorporated under the provisions of the Companies Act, 1956. 58.94 per cent stake in Cairn India is held by VR, out of which VR holds 38.80 per cent stake through its wholly owned subsidiaries Vedanta Resources Holdings Limited (hereinafter referred to as “VRHL”), TEL and TMHL. Further, 20.14 per cent stake of VR in Cairn India is held by SGL, out of which 18.42 per cent is directly held by SGL and 1.72 per cent is held by SGL through its wholly owned subsidiary Sesa Resources Limited (hereinafter referred to as “SRL”). Cairn India is engaged in the business of the exploration and production of oil and gas.
9. It has been stated in the notice that the companies which are involved in the transactions, which are part of the India Scheme and the Ekaterina Scheme and are part of the inter-se transfer of holdings of some of the group companies, inter-alia transfer of holdings of some group companies in Cairn India to SGL, are all ultimately controlled by VR and belong to the Vedanta Group. Further, the rationale



of the said schemes and the inter-se transfer of holdings is to consolidate the structure of Vedanta group companies in India by eliminating cross holdings.

10. As per the details provided in the notice, the transactions which are part of the India Scheme, Ekaterina Scheme and inter-se transfers involving some of the Vedanta Group of companies are :-

- a) **Merger of SIIL into SGL under India Scheme:** As a result of the proposed transaction, SIIL along with its subsidiaries would be amalgamated into SGL. Consequently, 29.5 per cent of SIIL's shareholding in VAL will also be vested in SGL. VR would continue to hold over 50 per cent of the shareholding in the merged SGL.
- b) **Transfer of MALCO's power generation assets to VAL by way of slump sale under India Scheme:** The power generation assets of MALCO will be transferred to VAL. As a result of the proposed transaction, power generation assets of MALCO shall stand hived off and vested in VAL as a going concern by way of a slump sale. It has been stated in the notice that both MALCO and VAL are part of the Vedanta Group as they are both ultimately controlled by VR and therefore, the instant transaction falls under the Category 8 of Schedule I of the (Procedure in regard to the transaction of business relating to combinations) Regulation, 2011 (hereinafter referred to as the "**Combination Regulations**") and hence ordinarily need not be filed under the provisions of Regulation 4 of the Combination Regulations.
- c) **Merger of MALCO into SGL under India Scheme:** After the power generation business of MALCO is transferred to VAL, MALCO would be amalgamated into SGL. As already stated, VR would hold over 50 per cent of the shareholding in the merged SGL.
- d) **Merger of SEL into SGL under Indian Scheme:** Due to the merger of SIIL along with its subsidiaries into SGL, SEL which is currently a wholly owned subsidiary of SIIL, would become a wholly owned subsidiary of the merged SGL. In the proposed transaction, SEL would also merge with its holding company, i.e., merged SGL. It has been stated in the notice that as the proposed transaction involves the merger of a wholly owned subsidiary into its holding company, therefore, the instant transaction falls under the Category 8A of Schedule I of the Combination Regulations and hence ordinarily need not be filed under the provisions of Regulation 4 of the Combination Regulations.
- e) **Transfer of 70.5 per cent of VAL shares held by Welter and THL to Ekaterina:** In the proposed transaction, Ekaterina will acquire 70.5 per cent of

VAL shares from Welter and THL. It has been stated in the notice that each of Welter, THL and Ekaterina are part of the Vedanta Group and VR holds 100 per cent shareholding in each of them, therefore, the instant transaction falls under Category 8 of Schedule I of the Combination Regulations and hence ordinarily need not be filed under the provisions of Regulation 4 of the Combination Regulations.

- f) **Merger of Ekaterina into SGL under the Ekaterina Scheme:** In the proposed transaction, Ekaterina shall stand amalgamated into SGL. Accordingly, subsequent to the proposed transaction, the entire shareholding of VAL shall also be consolidated into and held by SGL. As already stated, VR would hold over 50 per cent of the shareholding in the merged SGL.
- g) **Demerger of VAL's aluminum business into SGL:** As a result of the proposed transaction, the aluminum business of VAL will be demerged into SGL. It has been stated in the notice that as both SGL and VAL are part of the Vedanta Group and are ultimately controlled by VR, therefore, the proposed transaction which is an acquisition of VAL's assets by SGL, falls under Category 8 of Schedule I of the Combination Regulations and hence ordinarily need not be filed under the provisions of Regulation 4 of the Combination Regulations.
- h) **Transfer of holding of VR in Cairn India to SGL:** Currently, VR holds 58.94 per cent stake in Cairn India, of which VR holds 38.80 per cent through its wholly owned subsidiaries VRHL, TEL and TMHL. Further, 20.14 per cent stake in Cairn India is held by SGL, of which 18.42 per cent stake is directly held by SGL and 1.72 per cent stake is held by SGL through its wholly owned subsidiary SRL. As a result of the proposed transaction, Bloom Fountain Limited ("hereinafter referred to as "**Bloom**"), a wholly-owned subsidiary of SGL, will acquire 100 per cent shares of TEL from VRHL, as a result of which, SGL will directly and indirectly hold approximately 58.94 per cent stake in Cairn India. This would result in consolidation of the stake held by VR in Cairn India into SGL. It has been stated in the notice that Bloom, TEL, TMHL and Cairn India, being the subsidiaries of VR which holds over 50 per cent of the shareholding directly or indirectly in each of them, are part of the Vedanta Group and therefore, the transfer of 38.80 per cent shareholding of TMHL in Cairn India to SGL by way of 100 per cent acquisition of shares of TEL by Bloom, which is a wholly owned subsidiary of SGL, from VRHL, falls under Category 8 of Schedule I of the Combination Regulations and hence ordinarily need not be filed under the provisions of Regulation 4 of the Combination Regulations.



11. It is observed that the above mentioned proposed transactions are inter-related and inter-dependent transactions which are planned to be carried out with the ultimate objective of consolidation of the holdings of Vedanta Group companies in India. In this regard it may be noted that transactions in a series or transactions which are inter-related and inter-dependent shall be considered as a composite whole, if the ultimate objective can be achieved only on successful completion of all such transactions in a series or transactions which are inter-related and inter-dependent, even though some of these transactions which are part of the composite whole may not ordinarily be required to be filed on standalone basis under the provisions of Regulation 4 of the Combination Regulations or may be exempt under the provisions of the Act relating to combinations.
12. Accordingly, all such transactions, taken together, constitute the proposed combination and ought to be filed as a composite scheme of combination, notwithstanding the fact that some of these transactions on standalone basis may not ordinarily be required to be filed under Regulation 4 of the Combination Regulations. The proposed combination falls under Section 5 of the Act.
13. The proposed combination primarily involves amalgamation of MALCO, SEL and SIIL along with its subsidiaries into SGL, and consolidation of the shareholding of VAL into SGL, with the ultimate objective of consolidating the structure of Vedanta Group companies in India by eliminating cross holdings. It is observed that the main products, in India, of the companies involved in the proposed combination are alumina, primary aluminum, flat rolled aluminum products and commercial power generation. Further, it is observed from the details provided in the notice and other facts on record that there are other prominent players engaged in the business of alumina, primary aluminum, flat rolled aluminum products and commercial power generation in India. Further, it is noted that the proposed combination is a measure of internal re-structuring of the Vedanta Group companies and VR would continue to hold the ultimate management control over the activities of the companies involved in the proposed combination. The proposed combination is not likely to result in any adverse competition concern in India.
14. 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 combination, 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 proposed combination under sub-section (1) of Section 31 of the Act.
15. This approval is without prejudice to any other legal/statutory obligations as applicable.



16. This order shall stand revoked if, at any time, the information provided by the parties who have given the notice is found to be incorrect.
17. The Secretary is directed to communicate to the parties who have given the notice accordingly.



Certified True Copy

[Handwritten Signature]
23/4/12

ANIL K. VASHISHT
Office Manager
Competition Commission of India
New Delhi