

COMPETITION COMMISSION OF INDIA

18th December, 2012

Combination Registration No.: C-2012/11/93

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

1. On 23rd November, 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**”) given by Sumitomo Corporation (hereinafter referred to as “**Sumitomo Japan**”), Sumitomo Corporation Asia Pte Limited (hereinafter referred to as “**Sumitomo Singapore**”), Mukand Limited (hereinafter referred to as “**Mukand**”) and Technosys Metal Processing Limited (hereinafter referred to as “**Technosys**”) (hereinafter Sumitomo Japan, Sumitomo Singapore, Mukand and Technosys are collectively referred to as the “**parties to the combination**”).
2. The said notice was filed pursuant to the execution of a Master Agreement between Mukand, Sumitomo Japan, Technosys, and Sumitomo Singapore on 29th October, 2012 (hereinafter referred to as the “**Master Agreement**”). As per the information given in the notice, Mukand and Sumitomo Japan have agreed to form a joint venture for the manufacturing of bright bars and wires in India through Technosys, a company incorporated on 1st August, 2012 under the Companies Act, 1956. Presently, Technosys is a wholly owned subsidiary of Mukand. The proposed combination involves transfer of assets constituting the business of manufacturing of bright bars and wires by Mukand to Technosys and upon such transfer, acquisition of 39.92 per cent of the total issued and paid-up equity share capital of Technosys by Sumitomo Japan together with its wholly-owned subsidiary i.e. Sumitomo Singapore (hereinafter Sumitomo Japan and Sumitomo Singapore are collectively referred to as the “**Acquirers**”). Upon such acquisition, Mukand and its affiliates will hold 60.08 per cent, Sumitomo Japan will hold 25 per cent and Sumitomo Singapore will hold 14.92 per cent equity share capital of Technosys. The Master Agreement *inter-alia* records the *inter se* rights and obligations of the shareholders of Technosys and the manner in which its activities shall be conducted.
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 27th November, 2012, the Acquirers were required to remove defects and provide certain information/document(s). In this regard, the response of the Acquirers was received on 3rd December, 2012.

4. As already stated, prior to the acquisition of equity share capital of Technosys by the Acquirers, the assets constituting the business of manufacturing of bright bars and wires will be transferred by Mukand to Technosys. Therefore, in terms of sub-regulation (9) of Regulation 5 of Combination Regulations, the value of the assets and turnover of Mukand has been attributed to the value of assets and turnover of Technosys for the purpose of Section 5 of the Act. Accordingly, the proposed combination falls under Section 5(a) of the Act.
5. Sumitomo Japan is stated to be a company incorporated under the laws of Japan and is engaged in general trading of a wide range of goods and commodities. As per the information given in the notice, the business units of Sumitomo Japan include metal products; transportation and construction system; infrastructure; media, network and lifestyle; mineral resources, energy, chemical and electronics; food; materials and supplies; and construction and real estate. In India, Sumitomo Japan is engaged in different businesses covering sectors such as steel, mineral resources, chemical products, construction equipments, automobile components, etc. Sumitomo Japan is stated to have three subsidiaries in India namely Sumitomo Corporation India Private Limited, Munjal Kiriu Industries Private Limited and India Steel Summit Private Limited in addition to which, it also holds equity interests in some companies in India.
6. Sumitomo Singapore, a company incorporated in Singapore, is a wholly-owned subsidiary of Sumitomo Japan. As per the information given in the notice, Sumitomo Singapore is principally engaged as an integrated business enterprise and an investment holding company. The main products exported by Sumitomo Singapore into India are chemical products and oil country tubular goods (OCTG).
7. Mukand is a listed company incorporated under the provisions of the Companies Act, 1956. As per the information given in the notice, Mukand is currently operating in steel products, industrial machinery and road construction segments. The steel division of Mukand manufactures alloy, special and stainless steel long products in a variety of grades and sections as per the international specifications. The steel long products being produced by Mukand include blooms, billets, bars, wire rods, round bars, round corner squares, bright bars and wires. The industrial machinery division of Mukand is *inter-alia*



engaged in the manufacture of cranes, bulk material handling system and specialised equipment for steel plant, chemical and process plant, cement plant, power plant and copper plant. Mukand has also undertaken road construction projects. However, it has been stated that Mukand has decided not to bid for further projects in the road construction business and the plant & machinery procured for these projects are being disposed off.

8. Technosys is a company incorporated under the provisions of the Companies Act, 1956 whose entire issued and paid up share capital is presently held by Mukand and its affiliates. It has been stated in the notice that Technosys has been incorporated with the objective of engaging *inter-alia* in the business of manufacturing and sale of bright bars & wires which are cold finished long products made of alloy as well as non-alloy steel. As per the information given in the notice, the Master Agreement confers certain rights to Sumitomo Japan which would enable it to exercise joint control over the management and affairs of Technosys along with Mukand. Accordingly the assessment of the proposed combination, which concerns manufacturing/supply of bright bars and wires in the steel sector in India, will focus on the horizontal overlap or the vertical relationship that could arise between the parties to the combination.
9. It is observed from the information given in the notice that none of the Acquirers or their subsidiary companies are engaged in the manufacture/supply of bright bars and wires in India, other than Sumitomo Japan which exports cold drawn steel wires for supply to a company in India, in small quantities which are insignificant. Further, unlike the large integrated steel producers, Mukand is a non-integrated steel producer and its market share in the business of bright bars and wires in India is insignificant to raise any competition concern. The horizontal overlap between the activities of the Acquirers and Mukand is thus insignificant in the market of bright bars and wires in India to raise any adverse competition concern.
10. As per the details given in the notice and the terms & conditions of the Master Agreement, Mukand shall provide its expertise in the field of manufacturing and sale of bright bars and wires along with administrative, engineering and technical assistance to Technosys. The raw materials requirement for the production of bright bars and wires by Technosys shall also be supplied by Mukand. Technosys will utilize Sumitomo Japan's global sales and distribution network for the export of the products manufactured by it along with its technical and financial expertise. However, considering the size of the business of Mukand and Sumitomo Japan in the steel sector in India, this vertical



relationship between the parties to the combination along with their group entities would not raise any competitive concern in the market(s) of long steel products in India which has many players including large integrated players along with a large number smaller players.

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 combination after duly considering the relevant factors mentioned in Section 20(4) 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 proposed combination under sub-section (1) of the Section 31 of the Act.
12. This approval is without prejudice to any other legal/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

[Handwritten Signature]
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Office Manager
Competition Commission of India
New Delhi