



COMPETITION COMMISSION OF INDIA

(Combination Registration No. C-2015/02/247)



Fair Competition
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07.05.2015

Notice u/s 6 (2) of the Competition Act, 2002 given by

- Johnson Controls, Inc.

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

1. On 18.02.2015 the Commission received a notice under Section 6(2) of the Competition Act, 2002 (“Act”) filed by Johnson Controls, Inc. (“JCI”) pursuant to execution of a Master Transactions Agreement (“MTA”) between JCI, Hitachi Ltd. (“Hitachi”), and Hitachi Appliances, Inc. (“HA”) on 21.01.2015. (Hereinafter, JCI and HA are referred to as the “Parties”).
2. As per the information provided in the notice, the proposed combination entails the acquisition of worldwide building heating, ventilation and air conditioning (“HVAC”) business (excluding certain operations and assets) of HA, a wholly owned subsidiary of Hitachi, by JCI, through Johnson Controls Air Conditioning Holding (UK) Ltd. (“JCAC”), a newly incorporated company created for the purpose of the proposed combination. As stated in the notice JCAC would become a global 60:40 joint venture company between JCI and HA pursuant to the proposed combination.
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 04.03.2015, the JCI was required to remove certain defects and provide information/document(s) by 11.03.2015. JCI submitted its reply on 16.03.2015 after seeking extension of time. As the said response was incomplete and had certain defects, vide letter dated 24.03.2015, JCI was again required to remove defects and provide information/document(s)



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latest by 30.03.2015. JCI submitted its reply on the due date. However, as the said response was incomplete, therefore, in terms of sub-regulation (3) of Regulation 14 of the Combination Regulations, vide letter dated 08.04.2015, JCI was again required to remove certain defects and provide information/document(s) by 09.04.2015. JCI submitted its reply on 16.04.2015 after seeking extension of time. Further, as certain defects in the notice were not removed completely, vide letter dated 27.04.2015, JCI was again required to remove those defects and provide complete information/document(s). JCI submitted its reply on 29.04.2015 after seeking extension of time.

4. As already stated, the proposed combination pertains to the acquisition of HVAC business of HA by JCI at a worldwide level. In this regard, it is observed that HVAC systems control the temperature, humidity and quality of air in buildings to suit the chosen conditions. The HVAC systems installed in a building transfer heat and moisture into and out of the air as well as control the level of air pollutants, either by directly removing them or diluting them to acceptable levels. The HVAC market can be classified into three main segments i.e. chillers, variable refrigerant flow (“**VRF**”) systems and room air conditioning (“**RAC**”). Chillers are relatively large machines that remove heat via vapor-compression or absorption refrigeration cycle. VRF systems allow one outdoor condensing unit to be connected to multiple indoor fan-coil units, each individually controllable by its user, while modulating the amount of cooling or heating sent to each evaporator. RACs are the smaller systems that cool just one room or small space, rather than an entire building and are often used for residential or light commercial applications.
5. JCI is a global multi-industry technology company engaged inter alia in the business of building HVAC products, controls and security systems for buildings; batteries and interior systems for automobiles etc. JCI is present in India through various entities in building efficiency and automotive



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segments. Johnson Controls (India) Private Limited, a subsidiary of JCI, operates in building HVAC automation systems, security surveillance systems, facility management and real estate management services etc. JCI also indirectly holds shares in Rolastar Private Limited (“**Rolastar**”) and Ruskin Titus India Private Limited (“**Ruskin**”). Rolastar offers duct work accessories and technical support for HVAC applications and Ruskin offers air control products for the HVAC systems in India. Further, JCI is stated to operate in all the three segments of the HVAC market, i.e. chillers, VRF and RAC systems in India. However, its presence in India in the VRF and RAC segments is limited.

6. As stated, HA is a global HVAC company and a wholly owned subsidiary of Hitachi, a global electronics company. HA being a HVAC company provides RAC and VRF systems, chillers and heaters for buildings and air conditioners (“**ACs**”) for commercial use. It also produces home appliances, such as refrigerators, washing machine, microwaves dehumidifiers and air-purifiers etc. HA is present in India through its subsidiary Hitachi Home and Life Solutions (India) Ltd. (**HHLI**), which is a listed company incorporated under the provisions of Companies Act, 1956. HHLI is inter alia engaged in the business of manufacturing, selling and trading of ACs, refrigerators, chillers and VRF systems. HA also has an indirect minority shareholding in Highly Electrical Appliances India Private Limited (“**HEAIPL**”) which is engaged in manufacture and sale of compressors for ACs in India.
7. It is observed that both the parties to the combination are engaged in HVAC systems in India. Further, as stated above, the overlapping products of the Parties in the HVAC market in India could be categorized as chillers, VRF and RAC. In this regard, it is noted that the combined market share of the Parties in each of the above segments is almost entirely on account of the presence of one of the parties in a segment with the other party having an insignificant market share in that segment. Further, it is also observed that the HVAC market in India is characterized by the



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presence of many other global and domestic players such as Daikin, Carrier and Blue Star etc. operating in all the segments. In view of the foregoing the horizontal overlap between the parties is not likely to cause any appreciable adverse effect on the competition in India.

8. Further, as stated above, though JCI indirectly holds shares in Rolastar and Ruskin which are inter alia engaged in duct work accessories and air control products for the HVAC systems in India and HA has an indirect minority shareholding in HEAIPL which is engaged in manufacturing and sale of compressors, it is observed that JCI does not have any vertical relationship with HA in India. It is also noted that JCI's and HA's presence in the ancillary HVAC products is not significant enough to give rise to any concern of vertical foreclosure. Moreover, there are various other domestic as well as global players engaged in these products in India.
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 approval is without prejudice to any other legal/statutory obligations as applicable.
11. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.



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12. The Secretary is directed to communicate to the Acquirer accordingly.