



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2015/07/290)

8th September 2015

**Notice under sub-section (2) of Section 6 of the Competition Act, 2002 filed by
Koneru Holdings Limited**

CORAM:

Mr. Ashok Chawla
Chairperson

Mr. S. L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Mr. M. S. Sahoo
Member

Mr. G. P. Mittal
Member

Legal Representative of the parties: Cyril Amarchand Mangaldas, Mumbai

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

1. On 9th July 2015, the Competition Commission of India (**‘Commission’**) received a notice (**‘Notice’**) under sub-section (2) of Section 6 of the Competition Act, 2002 (**‘Act’**) filed by Koneru Holdings Limited (**‘KHL’** or **‘Acquirer’**). The Notice was filed pursuant to execution of certain Share Purchase and Business Transfer Agreements on 11th June 2015.



2. As submitted by the Acquirer, the proposed combination is a composite transaction comprising of a series of interconnected steps. The proposed combination is (a) an acquisition of Saucon Holdings Limited ('**SHL**'), PVK Engineers Private Limited ('**PVK**'), Best & Crompton Engineering Projects Limited ('**B&C**'), Aster Private Limited ('**Aster**') and Ideamax Consultancy Services Private Limited ('**Ideamax**') by KHL; and (b) an indirect acquisition of certain identified undertakings (assets and liabilities) of Agrawal Steel Structures (India) Private Limited ('**Agarwal**'), Gem Cables and Conductors Limited ('**Gem**'), Vijeta Transformers Private Limited ('**Vijeta**') and Sourya Insulators Private Limited ('**Sourya**') by KHL. Subsequent to these transactions, PIPL Holdings Pte. Ltd. ('**PIHPL**'), a wholly owned subsidiary of KHL, proposes to acquire 100% shares of SHL from KHL. (Hereinafter, B&C, Aster, Agarwal, Gem, Vijeta and Sourya are referred to as '**Targets**'). Further, Puissant Holdings Pte. Ltd. ('**PHPL**'), a wholly owned subsidiary of KHL, would subscribe to non-convertible debentures in PVK. (Hereinafter, the above interconnected steps of the combination are collectively referred to as '**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**'), the Acquirer, *vide* the Commission's communications dated 9th July 2015 and 3rd August 2015, was required to remove gaps vis-à-vis information provided in the Form I, to which the Acquirer responded on 17th July 2015 and 14th August 2015, respectively. In terms of the abovesaid communications, the Acquirer was required to, *inter alia*, provide data on the relevant market size, details about the competitors etc.
4. As stated by the Acquirer, KHL is an investment holding company incorporated in Mauritius and has no presence in India. The entire shareholding of KHL is held by Mr Srinivas Koneru (a non-resident Indian). It is further stated by the Acquirer that KHL has been set up specifically for the purpose of the Proposed Combination. Further, SHL is incorporated in Mauritius and is a wholly owned subsidiary of Micropart International Limited ('**MIL**'). The entire shareholding of MIL is held by Mr Srinivas Yalla (a non-resident Indian). It has been also submitted by the Acquirer that SHL, being a newly incorporated company, does not have any operations of its own.



5. **Details about the Targets:** Details about the Targets, as stated by the Acquirer, are as follows:

- i. PVK, incorporated under the Companies Act, 1956, is a an engineering company engaged in, *inter alia*, manufacture of products such as condensers, valves, inlet air systems and hydro mechanical equipment, etc., which are used in thermal power plants, gas power plants and hydro power plants etc.
- ii. B&C, incorporated under the Companies Act, 1956, is stated to be engaged in, *inter alia*, execution of projects on railway electrification (such as overhead electrification layouts and foundation, traction substation etc.) and construction of high voltage substations etc.
- iii. Aster, incorporated under the Companies Act, 1956, is an infrastructure engineering company which is stated to be engaged in, *inter alia*, design and supply of transmission towers and construction of transmission lines etc.
- iv. Agarwal, incorporated under the Companies Act, 1956, is stated to offer, *inter alia*, integrated functionality of designing, manufacturing and installation of all kinds of telecom and transmission towers.
- v. Gem, incorporated under the Companies Act, 1956, is stated to manufacture, *inter alia*, a broad range of energy transmitting cables encompassing applications in the field of power distribution and transmission. Some of the cables manufactured by it are mining cables, instrumentation cables, signalling cables and welding cables etc.
- vi. Vijeta, incorporated under the Companies Act, 1956, is stated to manufacture, *inter alia*, various types of distribution transformers, with customer specific designs based on various Indian and international standards.
- vii. Sourya, incorporated under the Companies Act, 1956, is stated to be active in the market of providing composite insulators, insulation products and



services. Further, as stated by the Acquirer, Sourya currently generates 100% of its revenue from contract manufacturing (i.e. manufacturing insulators for other manufacturers and marketers of insulators).

- viii. Ideamax was incorporated in 2011 in Vishakhapatnam to carry out business related to computer software and hardware; however, pursuant to its incorporation it is stated to be inactive in the said business.
6. The Targets are engaged in a wide range of activities which can be broadly categorized as business of providing engineering, procurement and construction solutions for power transmission and distribution, telecom and railway electrification (**'EPC Solutions for T & D and telecom towers'**). However, as aforementioned, neither SHL nor KHL has any presence in India.
7. With respect to the horizontal overlaps, the Acquirer has submitted that there are horizontal overlaps between the Targets in the business of EPC Solutions for T & D and telecom towers, as follows: (a) Both Agarwal and Aster are engaged in the manufacture and installation of transmission and telecom towers; and (b) B&C and Aster provides EPC services for power transmission and distribution. However, in the said businesses, respective market share of B&C, Aster and Agarwal are stated to be insignificant.
8. With respect to the vertical relationship between the parties, it has been submitted that Agarwal supplies various types of components/parts of tower to PVK. Based on the information on record, it is noted that during the year 2014-15, Agarwal's sales to PVK were insignificant in proportion to its total sales. Further, the purchases from Agarwal represented a small portion of the total purchases by PVK.
9. Post the consummation of the Proposed Combination, KHL would become a vertically integrated player present in the business of EPC Solutions for T & D and telecom towers. However, based on the market share of the Targets, it appears that post combination, KHL is not likely to be a significant player in the said business. Further, as submitted by the Acquirer, there are other vertically integrated players such as KEC International Limited, Kalpatru Power Transmission Limited, Larsen & Tubro Limited, Tata Projects and Jyothi Structures Limited etc. which would provide competitive constraint to KHL.



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10. Considering facts on record, the details provided in the notice 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 approves the Proposed Combination under sub-section (1) of Section 31 of the Act.
11. This Order shall stand revoked if, at any time, information provided by the Acquirer is found to be incorrect.
12. The Secretary is directed to communicate to the Acquirer accordingly.