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COMPETITION COMMISSION OF INDIA
(Combination Registration No. – C-2016/10/444)

27th April, 2017

Notice under sub-section (2) of Section 6 of the Competition Act, 2002 given by HP Inc.

CORAM:

Mr. Devender Kumar Sikri
Chairperson

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Mr. G. P. Mittal
Member

Legal representative: Shardul Amarchand Mangaldas & Co

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

1. On 13th October, 2016, the Competition Commission of India (“**Commission**”) received a notice, under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”), filed by HP Inc. (“**HP**” or “**Acquirer**”). The notice has been filed pursuant to execution of Master Purchase Agreement (“**MPA**”) between HP and Samsung Electronics Co. Ltd (“**Samsung**”) on 12th September, 2016 for acquisition by HP of global printer business of Samsung (“**Target Business**”) (collectively, HP and Samsung are referred to as the “**Parties**”). The Acquirer submitted certain documents on 4th November, 2016 as per the undertaking filed at the time of giving the notice.
2. The proposed combination envisages a series of steps, viz.; (a) A wholly owned subsidiary of Samsung would be incorporated (“**New Entity**”). Subsequently, Samsung’s printer business of Republic of Korea (“**Korea Business**”) will be transferred to the New Entity;



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- (b) HP will acquire Samsung's direct and indirect right, title, and interest in the New Entity, Simpress Comércio, Locação e Serviços S.A. ("**Simpress**"), PrinterOn Inc. ("**PrinterOn**"), Samsung Electronics (Shandong) Digital Printing Co. Ltd. ("**SSDP**") and other transferred assets consisting mainly of overseas sales and R&D businesses and operations (collectively referred to as "**Proposed Combination**"). In this regard, it is relevant to note that, currently, Samsung's printer business is primarily carried out through the Korea Business and three subsidiaries, namely, Simpress, PrinterOn and SSDP. As a result of the Proposed Combination, HP will not acquire any control over Samsung, which will continue to exist as a separate entity after the Proposed Combination.
3. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 ("**Combination Regulations**"), *vide* letter dated 24th November, 2016, the Acquirer was required to provide certain information pertaining to, *inter alia*, delineation of relevant market(s), market shares of the Parties and competitors in the respective relevant market(s). The Acquirer, after seeking extension of time, filed its response on 15th December, 2016. The Acquirer made additional submissions *vide* letters dated 24th March, 2017, 27th March, 2017, 29th March, 2017, 30th March, 2017 and 7th April, 2017.
 4. HP, incorporated in Delaware, is a global provider of products, technologies, software, solutions and services to individual consumers, small and medium sized businesses and large enterprises. The said products, technologies, software solutions pertain to: (i) personal computers, tablets and related accessories; (ii) consumer and commercial printer hardware, software, scanning devices *etc.* In India, HP, through its four subsidiaries, namely, HP India Sales Private Limited; HP Computing and Printing Systems India Private Limited; HP Printing and Personal Systems India Operations Private Limited and HP Printing and Personal Systems Services India Private Limited, is engaged in: (i) manufacture, distribution and sale of computing products and associated services and solutions; and (ii) distribution and sale of printing products and associated services and solutions. The Acquirer has submitted that it has no manufacturing facilities for printers in India.
 5. Samsung, incorporated under the laws of the Republic of Korea, is engaged in selling mobile devices, home appliances, medical devices, memory/storage devices, televisions/home entertainment systems and monitors in India, through its three subsidiaries



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namely, Samsung India Electronics Private Limited, Samsung R&D Institute India-Bangalore Private Limited and Samsung Medison India Private Limited. It has been submitted by the Acquirer that Samsung does not have any manufacturing facilities for its printer business in India.

6. In its meeting held on 18th January, 2017, the Commission considered the notice and subsequent submissions of the Acquirer, and in terms of sub-regulation (3) of Regulation 19 of the Combination Regulations read with Section 36 of the Act, decided to seek information from the customers and competitors of the Parties. Accordingly, letters were written to the customers and competitors of the Parties. The Commission, on 18th January, 2017, also directed to directed to seek justification from HP on the duration of the non-compete clause. Accordingly, *vide* letter dated 24th January, 2017, HP was asked to provide justification on non-compete obligation imposed on Samsung. HP gave its response *vide* letter dated 2nd February, 2017, after seeking extension of time. Subsequently, HP, *vide* letter dated 17th March, 2017, requested for inspection of responses received from third parties (*i.e.* customers and competitors) under sub-regulation (3) of Regulation 19 of the Competition Commission of India (General) Regulations, 2009 (“**General Regulations**”) read with Section 36 of the Act. The Commission, in its meeting held on 30th March, 2017, granted HP’s request for inspection of documents. HP inspected the documents pertaining to the case on 5th April, 2017.
7. The Acquirer has submitted that the business activities of the parties overlap in manufacture and supply of printers. Based on the submission of the Acquirer, the Commission noted that printers can be broadly categorised as: (a) Regular Format Printers (“**RFPs**”) and (b) Large Format Printers (“**LFPs**”). With respect to LFPs, the Acquirer has submitted that it should be viewed as a separate market as its end applications (printing signage and display items, computer aided design or graphic arts) are different from that of RFPs which are used in home and office for printing/copying on A3 and A4 papers. HP has submitted that there is no overlap between the activities of the Parties in respect of LFPs.
8. It has been submitted that market share of the Acquirer and Samsung in RFPs in India for year 2015 is in the range of [35-40] percent and [0-5] percent, respectively. The RFPs segment is characterised by the presence of other major players (market share indicated



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along with) in India, namely, Canon (15-20 percent), Epson (10-15 percent), Ricoh (10-15 percent) and Konica Minolta (5-10 percent) during the same period.

9. Based on the submissions of HP, the Commission observed that there is horizontal overlap among the Parties in respect of RFPs. The Commission further observed that RFPs can be segmented on the basis of: (i) functionality of the printer as Single Function Printers (“SFPs”) (that can only be used for printing) and Multi-Function Printers (“MFPs”) (with functions of photocopier and/or scanner along with printer); (ii) ink colour as Black & White (“Mono”) printers and colour printers; and (c) speed of printing *i.e.* pages printed per minute (“ppm”).
10. Based on the criteria of functionality, speed and ink colour of printers, HP further sub-segmented RFPs in various sub-segments, namely, SFP Mono 1-19 ppm (*i.e.* black & white single format printer with capacity to print 1 to 19 pages in one minute), SFP Mono 20-90 ppm (*i.e.* black & white single format printer with capacity to print 20 to 90 pages in one minute), SFP Colour 1-19 ppm (*i.e.* colour single format printer with capacity to print 1 to 19 pages in one minute), SFP Colour 20-50 ppm (*i.e.* colour single format printer with capacity to print 20 to 50 pages in one minute), MFP Mono 20-90 ppm (*i.e.* black & white multi format printer with capacity to print 20 to 90 pages per minute), MFP colour 1-19 ppm (*i.e.* colour multi format printer with capacity to print 1 to 19 pages per minute) and MFP colour 20-50 ppm (*i.e.* colour multi format printer with capacity to print 20 to 50 pages per minute). The Commission examined presence of the Parties and state of competition in the above said sub-segments of RFPs.
11. Based on the submissions of HP and responses received from the third parties, the Commission observed that: (a) There is convergence between SFP and MFP and distinction between the printers on this ground of functionality appears to be losing its importance. Further, average price for printers are declining and the absolute price differential between SFP and MFP is narrowing over time; (b) Mono printers are gradually being replaced by colour printers as from demand side perspective the cost-per-page of mono and colour printers is converging; (c) Speed of printing, though one of the criteria for a customer, may not be the most important one. Further, there appears to be no uniform standard for sub-segmenting printers on the basis of speed. Moreover, the printer manufacturer may adjust



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speed of printing upwards or downwards. Thus, the Commission observed that demarcation of RFPs based on above criteria may not be mutually exclusive.

12. In relation to the supply side of the printers, it has been submitted by HP and other third parties that printer manufacturers are able to switch production across various segments of RFPs in the short term and without incurring significant incremental costs. Moreover, R&D activities for RFPs are spread across multiple printer models, and the basic technology, Intellectual Property (**IP**) and know-how is common to many types of printers.
13. After considering replies of the third parties and submissions of HP, the Commission decided to leave the relevant product market open, as there was no appreciable adverse effect on competition in RFPs segment or in any of the aforementioned sub-segments of RFPs. With respect to the relevant geographic market, the Commission observed that though printers are not manufactured in India, all the players supply them across the country without any restrictions.
14. As regards vertical relationship, the Commission, based on the submission of HP, observed that vertical relationship is not significant enough to raise any adverse appreciable effect on competition in RFPs business in India.
15. The Commission sought justification from the Acquirer in relation to the non-compete obligation imposed on Samsung for a duration of five years in respect of the Target Business and for duration of seven years in respect of printer-related consumables. In this context, the Acquirer, under sub-regulation (2) of Regulation 19 of Combination Regulations, voluntarily undertook to reduce the duration of non-compete clause imposed on Samsung, specifically in relation to India, to a period of 3 years for both printer as well as printer-related consumable business. The Commission, while accepting the above said modification, directed the Acquirer to make necessary amendment(s) in the MPA, so as to incorporate the said modification and submit a copy of such amended agreement, along with other relevant documents, to the Commission within 30 days of the receipt of the order under sub-section (1) of Section 31 of the Act.



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16. Considering facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and assessment 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.
17. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
18. The information provided by the Acquirer is confidential at this stage in terms of and subject to the provisions of Section 57 of the Act.
19. The Secretary is directed to communicate to the Acquirer accordingly.