COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2017/02/486)

Fair Competition For Greater Good

05.05.2017

Notice under Section 6 (2) of the Competition Act, 2002 given by JTEKT Corporation

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 Representatives: Jupiter Law Partners

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

1. On 21.02.2017, the Competition Commission of India ("**Commission**") received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 ("**Act**") given by JTEKT Corporation (hereinafter, "**JTEKT**" or the "**Acquirer**"). The notice has been given pursuant to execution of Share Purchase Agreement ("**SPA**") dated 01.02.2017 entered into between the Acquirer, Sona Autocomp Holding Limited **(**"**Seller**"), Rani Kapur and Sunjay Kapur (collectively, "**Confirming Parties**") for acquisition of 25.12 percent stake in Sona Koyo Steering Systems Limited ("**SKSSL**" or "**Target**") ("**Proposed Combination**"). The Acquirer is also required to make an open offer to acquire additional 26 percent shares of the Target from the public shareholders, as triggered under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations. In view of the same, the Acquirer made open offer *vide* detailed public statement dated

01.02.2017 published on 08.02.2017. Further, one of the inter-connected step to the Proposed Combination is transfer of stake held by Target in Sona Skills Development Centre Limited ("**SSDCL**"), to the Seller or a nominee of the Seller. The Proposed Combination is structured as an acquisition and has been filed under Section 5 (a) of the Act.

2. The Parties have submitted that SSDCL is a training centre under the control of one of the subsidiary of the Seller and will be retained by the Seller post combination. It is further submitted that transfer of shares of SSDCL from Target to Seller or its nominee is an intragroup transaction and is not notifiable in view of the *De Minimis exemption*. The Commission considered the submissions of the Parties and observed that the transfer of shares of SSDCL from Target to the Seller or its nominee is not notifiable as per the provisions of the Act.

3. In terms of the provisions of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to Combinations) Regulations, 2011 ("**Combination Regulations**"), *vide* letter dated 21.03.2017, the Acquirer was, *inter alia,* asked to provide information about vertical relationship among the Target and/or its subsidiaries and the entities belonging to the Acquirer, market shares of the Parties and competitors etc. The Acquirer filed response on 30.03.2017 after seeking extension of time.

4. JTEKT, a Japanese company, is a manufacturer and supplier of automotive parts, bearings and machine tools. It is stated to have its operations in Japan and several other countries. JTEKT is present in India through two subsidiaries, namely Koyo Bearings India Private Limited ("**KBIN**") and Toyoda Micromatic Machinery India Private Limited ("**TMI**"). KBIN manufactures and sells bearings to various entities including the Target and its two subsidiaries. TMI is engaged in the manufacture of machine tools including machines for milling, grinding, etc. Such products are in the nature of general capital goods used in various machining processes across manufacturing sectors.

5. SKSSL is an Indian company engaged in the business of automotive parts *i.e.* steering systems and parts thereof, catering to the passenger vehicles, farm equipment and commercial vehicles OEMs. It has two subsidiaries in India, namely: Sona Fuji Kiko Automotive Limited ("**SFAL**") and JTEKT Sona Automotive India Limited ("**JSAI**"). SKSSL is engaged in manufacture and sale of steering systems and parts thereof by itself and through its subsidiaries in India.

6. On the basis of submissions and subsequent responses of the Acquirer, it is noted that the Acquirer has entered into several technical license and support agreements with the Target to provide technology for manufacture of its products in India during the entire operational life of the Target. It is further observed that the Acquirer already holds 20.1 percent stake in the Target and has the right to appoint two directors on the board of directors of the Target.

7. Given the nature of combination where the Target will be subject to sole control of the Acquirer as against the joint control being exercised at present, with no change in the competitive landscape of the market of steering systems and components thereof, the Commission observed that the Proposed Combination is not likely to raise significant competition concern and accordingly decided that the exact delineation of the relevant market be left open.

8. With regard to the horizontal overlaps, the Commission observed that the Acquirer is not present in the market for steering systems and components thereof. The pre and post combination market share (in volume terms) of the Parties is in the range of [36-41] percent, with no increment. Further, the Commission observed that the market is characterised by presence of other well established players like NSK Group, Mando, Rane Group, and Bosch having market share (in volume terms), of [18-22] percent, [15-18] percent, [7-10] percent and [5-8] percent, respectively in 2015-16.

9. As regards vertical relationships, Commission observed that KBIN, one of the Indian subsidiary of the Acquirer, supplies bearings to the Target and its subsidiaries. However, the Target along with its subsidiaries procures only a part of its requirement from KBIN in 2015-16. Further, KBIN has insignificant market share of 1-2 percent in the bearings

market in India in 2015-16. Furthermore, KBIN does not supply bearings to any other steering systems manufacturers and there seems to be no input foreclosure concern arising out of this vertical relationship. In view of the foregoing, the Commission does not find the vertical relationship between KBIN and the Target to raise any appreciable adverse effect on competition.

10. 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.

11. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.

12. 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.

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