



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2018/07/581)

**06.08.2018**

**Notice under Section 6(2) of the Competition Act, 2002**  
**given by Tata Steel Limited**

**CORAM:**

Mr. Sudhir Mital  
Chairperson

Mr. U. C. Nahta  
Member

Mr. G. P. Mittal  
Member

Mr. Augustine Peter  
Member

**Legal Representative:** AZB & Partners

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

1. On 02.07.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) given by Tata Steel Limited (“**TSL**” or the “**Acquirer**”) in relation to the acquisition of up to 100 per cent of the total issued and paid up share capital of Bhushan Power and Steel Limited (“**BPSL**”), by TSL (“**Proposed Combination**”). [.....]. Hereinafter, TSL and BPSL are collectively referred to as the “**Parties**”. The Acquirer also made certain additional submissions on 20.07.2018, 31.07.2018 and 06.08.2018.
2. It has also been submitted that BPSL is presently undergoing insolvency resolution proceedings initiated under the Insolvency and Bankruptcy Code, 2017 (**IBC**). The notice was filed pursuant to resolutions passed by the board of directors of TSL in meetings held on 18.12.2017 & 19.12.2017 and subsequent submission of a resolution plan by TSL on 08.02.2018.



3. TSL is a public limited company, stated to be engaged in integrated steel manufacturing operations, ranging from mining to steel-making and further downstream processing. The annual crude steel capacity across Indian operations of TSL is stated to be nearly 18.6 million ton per annum (“**MTPA**”)<sup>1</sup>. BPSL is also a public limited company and is similarly engaged in integrated steel manufacturing operations, including downstream processing of flat carbon steel products such as cold rolled sheets and coils, surface coated products, tubes and pipes and alloy based long steel products such as billets, rounds, round corner squares, bars and wire rods. BPSL’s current nameplate steel production capacity is stated to be 2.30 MTPA.

#### ***A. Horizontal Overlaps***

4. It is noted from the information given in the notice that Parties primarily overlap in the manufacture and sale of various finished flat carbon steel products in India. Apart from these, the business operations of TSL and BPSL overlap in respect of alloy billets, sponge iron and pig iron. The Parties are also engaged in the business of various other steel products also, but based on the submissions of the Acquirer, the Commission notes that Parties do not have any product overlaps in these segments.
5. As already stated, the Parties overlap in the manufacture and sale of various finished flat carbon steel products in India. It is noted that there are various stages in the production process of flat carbon steel products *i.e.* hot rolling, cold rolling, *etc.* As per the information given by the Acquirer, the finished product may be sold at each of these stages or be utilized for further processing in the next stage. Based on such segmentation, the Parties overlap in respect of following finished flat carbon steel products (**FCSPs**):
- i. Hot rolled coils and sheets (**HR-CS**) and plates (**HR-P**) (together, **HR-CSP**);
  - ii. Cold rolled coils and sheets (**CR-CS**);
  - iii. Surface coated products (**SCP**) (*i.e.* galvanized products (**GP**) and colour coated products (**CCP**); and
  - iv. Flat steel tubes and pipes (**T&P**) (*i.e.* precision and non-precision T&Ps).

---

<sup>1</sup> The Commission noted that TSL has recently acquired Bhushan Steel Limited (“**BSL**”) which was approved by the Commission *vide* order dated 25.04.2018 issued under Section 31(1) of the Act (Comb. Regn No. C-2018/03/562). Accordingly, for the purpose of competition assessment of the present case, the data related to TSL includes that of BSL.



6. In respect of the above stated steel products, the Commission in case no. C-2018/03/562 noted that technical characteristics, intended use, price levels, *etc.* for each of these products differ from each other. Therefore, the Commission was of the view that each of these product segments may constitute separate relevant product market. However, the exact definition of relevant market was left open as the proposed combination in that case did not give rise to any competition concerns irrespective of the manner in which the market is defined. The Commission decided to follow the same approach in the instant matter also.
7. The Acquirer has submitted that market shares in the steel products industry can be analysed on several alternative parameters *i.e.* installed production capacity, gross production, production for sale, and domestic sales. Based on each of the said parameters, the Acquirer has provided separate estimates of market share of the Parties and their competitors in each of the product segments for the last four financial years. The Commission has assessed the Proposed Combination on all such parameters.

*I. Hot rolled coils, sheets and plates (HR-CSPs)*

8. Table 1 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in the product segment HR-CSPs, based on any of the above-mentioned parameters, was less than 35 per cent for FY 2017-18. It is also noted that the incremental market share for TSL resulting from the Proposed Combination is insignificant to raise any competition concerns. Further, the market is characterized by presence of other large and significant competitors like JSW, Essar, SAIL, *etc.*

**Table 1: Market share data for HR-CSP segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[25-30]%	[25-30]%	[20-25]%	[20-25]%
BPSL	[0-5]%	[0-5]%	[0-5]%	[0-5]%
<b>TSL + BPSL</b>	<b>[25-30]%</b>	<b>[30-35]%</b>	<b>[25-30]%</b>	<b>[20-25]%</b>
JSW	[20-25]%	[25-30]%	[25-30]%	[20-25]%
JSPL	[0-5]%	[0-5]%	[0-5]%	[5-10]%
Essar	[10-15]%	[10-15]%	[15-20]%	[20-25]%



SAIL	[10-15]%	[10-15]%	[15-20]%	[20-25]%
Other Producers + Imports	[10-15]%	[0-5]%	[0-5]%	[0-5]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

9. In the context of HR-Ps, the Acquirer has submitted that HR-Ps manufactured by TSL and BPSL are of a thickness ranging between 5 – 25 mm which are produced in the same hot rolling mill that is used to produce hot rolled coils and sheets (HR-CS). However, HR-Ps with thickness of above 25 mm are generally manufactured in a separate mill. It has also been submitted that the Parties neither manufacture nor have the capability to manufacture HR-Ps of thickness above 25 mm. Accordingly, after excluding HR-Ps of thickness above 25mm from the relevant market, the combined market share of the Parties increases from [20-25] per cent to [25-30] per cent (on the basis of domestic sales).
10. The Commission also notes that the industry-wide average capacity utilisation rate for HR-CSPs was [75-80] per cent in FY 2017-18 which has improved over FY 2014-15 to FY 2017-18 indicating that most of the competitors of the Parties are in a position to increase the production, if required. Further, based on the capacity addition data during FY 2014-15 to FY 2017-18, as submitted by the Acquirer, the Commission observed that approximately 10 per cent new capacity has been added in the HR-CSP segment during this period.

## II. Cold rolled coils and sheets (CR-CSs)

11. HR-CSs are further processed in a cold-rolling mill to manufacture CR-CSs. As noted by the Commission in Case no. C-2018/03/562, apart from integrated steel producers that have the ability to process hot rolled steel into CR-CS, this segment is characterised by presence of secondary cold rollers that operate cold rolling mills after procuring and processing hot rolled steel to manufacture CR-CS.
12. Table 2 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in the product segment CR-CSs, based on any of the above-mentioned parameters, was less than 35 per cent for FY 2017-18. It is noted that the incremental market share for TSL (based on domestic sales) resulting from the Proposed Combination is insignificant to raise any competition concerns. Though, the incremental market share for TSL (based on



installed capacity) is substantial at [5-10] per cent; however, the combined market share of the Parties is only [20-25] per cent. Further, the market is characterized by presence of other large and significant competitors like JSW, Essar, SAIL, *etc.* Apart from these players, presence of other competitors like Jindal Steel, POSCO, Indian Steel Corporation Limited (“**Indian Steel**”), Uttam Galva is also observed.

**Table 2: Market share data for CR-CS segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[15-20]%	[25-30]%	[25-30]%	[25-30]%
BPSL	[5-10]%	[5-10]%	[0-5]%	[0-5]%
<b>TSL + BPSL</b>	<b>[20-25]%</b>	<b>[30-35]%</b>	<b>[30-35]%</b>	<b>[30-35]%</b>
JSW	[15-20]%	[25-30]%	[25-30]%	[20-25]%
Essar	[5-10]%	[5-10]%	[5-10]%	[5-10]%
SAIL	[10-15]%	[5-10]%	[10-15]%	[10-15]%
Other Producers	[30-35]%	[20-25]%	[15-20]%	[15-20]%
Imports	-	-	-	[5-10]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

- The Commission also notes that the industry-wide average capacity utilisation rate for CR-CS was [60-65] per cent in FY 2017-18 which has improved over FY 2014-15 to FY 2017-18, indicating that most of the competitors of the Parties are in a position to increase the production, if required. The Acquirer has also submitted that this segment has witnessed both new entry as well as expansion of existing capacity by entities such as Arcelor Mittal, Numetal Steel, Vedanta, *etc.*

### *III. Surface coated products (SCPs)*

- As per the Acquirer, the corrosion resistance of flat carbon steel products can be increased by coating it with zinc (galvanizing), other metals or by applying an organic topcoat. The Acquirer has given two product segments within SCPs *i.e.* Galvanized Products (GPs) and Colour Coated Products (CCPs), which are as follows:

#### *Galvanized Products (GPs)*

- Table 3 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in the product



segment GPs, based on any of the above-mentioned parameters, was less than 30 per cent for FY 2017-18. It is noted that the incremental market share for TSL (based on domestic sales) resulting from the Proposed Combination is insignificant to raise any competition concerns. Based on installed capacity, though, the incremental market share for TSL is [5-10] per cent; however, the combined market share of the Parties is only [25-30] per cent. Further, the market is characterized by presence of other large and significant competitors like JSW, Essar, SAIL, *etc.* Apart from these players, presence of other competitors like Uttam Galva, POSCO, National Steel & Agro Industries Ltd. (“**National Steel**”), Asian Colour Coated Ispat Limited, Jindal (I) Ltd, *etc.* is also observed.

**Table 3: Market share data for GP segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[15-20]%	[20-25]%	[20-25]%	[15-20]%
BPSL	[5-10]%	[5-10]%	[0-5]%	[0-5]%
<b>TSL + BPSL</b>	<b>[25-30]%</b>	<b>[25-30]%</b>	<b>[25-30]%</b>	<b>[20-25]%</b>
JSW	[20-25]%	[25-30]%	[25-30]%	[20-25]%
Essar	[10-15]%	[10-15]%	[5-10]%	[5-10]%
SAIL	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Other Producers	[35-40]%	[25-30]%	[30-35]%	[25-30]%
Imports	-	-	-	[10-15]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

16. The Commission also notes that the industry-wide average capacity utilisation rate for galvanised products was [80-85] per cent in FY 2017-18 which has improved over FY 2014-15 to FY 2017-18 indicating that most of the competitors of the Parties are in a position to increase the production, if required.
17. The Acquirer has also submitted that in the case of surface coated products, import play a significant role in meeting the domestic consumption despite excess capacity lying with the domestic steel producers. In this regard, it is noted that despite imposition of trade remedy measures, imports constituted [15-20] per cent of the total domestic consumption of surface coated products in India in FY 2017-2018 that has increased from [5-10] per cent in 2016-17. Therefore, in this case, imports appear to be a viable alternative for domestic customers.



*Colour Coated Products (CCPs)*

18. Colour coating usually refers to the application of liquid paint coat over galvanized coils and sheets in an automatic continuous process after pre-treatment. Table 4 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in the product segment of CCPs, based on any of the above-mentioned parameters, was less than 25 per cent for FY 2017-18. It is also noted that the incremental market share for TSL resulting from the Proposed Combination is significant at [5-10] per cent; however, the combined market share of the Parties is [20-25] per cent only. Further, the market is characterized by presence of other large and significant competitors like JSW, Essar, *etc.* Apart from these players, presence of other competitors like Asian Color Coated Ltd., Colour Roof India Ltd., Uttam Galva, Indian Steel, National Steel, *etc.* is also observed.

**Table 4: Market share data for CCP segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[15-20]%	[10-15]%	[10-15]%	[10-15]%
BPSL	[5-10]%	[5-10]%	[5-10]%	[5-10]%
<b>TSL + BPSL</b>	<b>[20-25]%</b>	<b>[20-25]%</b>	<b>[20-25]%</b>	<b>[20-25]%</b>
JSW	[25-30]%	[30-35]%	[30-35]%	[15-20]%
Essar	[10-15]%	[10-15]%	[15-20]%	[10-15]%
Other Producers	[30-35]%	[25-30]%	[20-25]%	[25-30]%
Imports	-	-	-	[15-20]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

19. The Commission also notes that the industry-wide average capacity utilisation rate for colour coated products was [75-80] per cent in FY 2017-18 which has improved over FY 2014-15 to FY 2017-18 indicating that most of the competitors of the Parties are in a position to increase the production, if required.

*IV. Flat steel tubes and pipes (T&Ps)*

20. Hot rolled and cold rolled coils and sheets are used in the production of T&Ps which are further used in a diverse set of industries, including automobile, construction and general engineering. T&Ps can be further segmented in to two categories based on the sales to the end-consumers: (i) precision tubes, and (ii) non-precision tubes. Non-



precision tubes are made in standard dimensions set by the manufacturer and are sold to consumers using a standard width. Precision tubes are customized to meet the precise requirements of the consumer.

*Precision Tubes*

21. Table 5 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in the product segment precision tubes, based on any of the above-mentioned parameters, is less than 40 per cent for FY 2017-18. It is noted that though the incremental market share for TSL is significant; however, the combined market share of the Parties is less than 40 per cent. Further, the market is characterized by presence of other significant competitors *i.e.* Tubes Investment, KLT Auto, Pennar, Goodluck Tubes, Caparo, *etc.*

**Table 5: Market share data for Precision Tubes segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[20-25]%	[20-25]%	[20-25]%	[25-30]%
BPSL	[10-15]%	[5-10]%	[5-10]%	[10-15]%
<b>TSL + BPSL</b>	<b>[30-35]%</b>	<b>[30-35]%</b>	<b>[30-35]%</b>	<b>[35-40]%</b>
Tubes Investment	[15-20]%	[15-20]%	[15-20]%	[15-20]%
Other Producers	[45-50]%	[45-50]%	[45-50]%	[45-50]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

22. The Commission also notes that the industry-wide average capacity utilisation rate for precision tubes was [70-75] per cent in FY 2017-18 indicating that most of the competitors of the Parties are in a position to increase the production, if required. Further, based on the capacity addition data during FY 2014-15 to FY 2017-18, as submitted by the Acquirer, the Commission observed that approximately [10-15] per cent new capacity has been added in this segment during this period.
23. In this segment, though the combined market share of the Parties is [35-40] per cent; but considering the presence of other competitors in the market coupled with the availability of utilized capacity, addition to the installed capacity, absence of significant entry barriers, possibility of import substitution, *etc.*, the Commission is of the considered view the Proposed Combination is not likely to result in any competition concerns in the Precision Tubes segment.





*Non-precision Tubes*

24. Table 6 below provides the market share of the Parties and their competitors, as submitted by the Acquirer. The combined market share of the Parties in this product segment, based on any of the above-mentioned parameters, is less than 10 per cent for FY 2017-18. It is noted that the Parties do not have significant presence in the non-precision tubes market. The other competitors in this market are APL Apollo Tubes Ltd., Surya Roshini, Jindal Industries, etc.

**Table 6: Market share data for Non-precision Tubes segment for the FY 2017-18**

	<b>Installed Capacity</b>	<b>Gross Production</b>	<b>Production for Sale</b>	<b>Domestic Sales</b>
TSL	[0-5]%	[5-10]%	[5-10]%	[5-10]%
BPSL	[0-5]%	[0-5]%	[0-5]%	[0-5]%
<b>TSL + BPSL</b>	<b>[5-10]%</b>	<b>[5-10]%</b>	<b>[5-10]%</b>	<b>[5-10]%</b>
APL Apollo	[10-15]%	[10-15]%	[10-15]%	[10-15]%
Surya Roshini	[5-10]%	[0-5]%	[0-5]%	[0-5]%
Other Producers	[70-75]%	[70-75]%	[70-75]%	[70-75]%
<b>Total</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>	<b>[100]%</b>

25. The Commission also notes that the industry-wide average capacity utilisation rate for non-precision tubes products was approximately [45-50] per cent in FY 2017-18 indicating that most of the competitors of the Parties are in a position to increase the production, if required. Further, based on the capacity addition data during FY 2014-15 to FY 2017-18, as submitted by the Acquirer, the Commission observed that approximately [5-10] per cent new capacity has been added in this segment during this period.

*V. Other Steel Products*

**Pig Iron**

26. As per the submissions given in the notice, both TSL and BPSL manufacture and sell different types of pig iron in the market. As per the Acquirer, pig iron is an intermediate product in the steel manufacturing chain, which can be classified on the basis of chemical composition into two types *i.e.* basic pig iron and foundry pig iron. As per the submissions, BPSL is engaged in the business of basic pig iron whereas TSL



is engaged in the business of foundry pig iron. As per the Acquirer, basic pig iron and foundry pig iron are distinct from each other in terms of their physical composition, characteristics, end use and demand in the market and therefore, do not constitute a part of the same market. If the contention of the Acquirer is accepted then TSL and BPSL do not overlap in the market for pig iron.

27. However, even if basic pig iron and foundry pig iron are considered to be in the same market, the Proposed Combination is not likely to result in any competition harm as the combined market share of the Parties in the product segment is [0-5] per cent, on the basis of domestic sales. Therefore, the exact delineation of the relevant market may be left open.

### **Sponge Iron**

28. Sponge iron is a metallic product produced through direct reduction of iron ore in the solid state. Both the Parties are in the manufacture and sale of sponge iron in India; however, BPSL is stated to have limited presence in the market for sale of sponge iron since the majority portion of sponge iron produced by it is used for captive consumption. The combined market share of the Parties in this product segment, based on any of the above-mentioned parameters, was less than [0-10] per cent for FY 2017-18.

### **Alloy Billets**

29. It was noted that both TSL (through BSL) and BPSL manufacture and sell alloy billets. It has also been submitted that BPSL has sold billets in the domestic market that it cannot use for its own consumption. On the basis of data presented by the Acquirer, it is further noted that the Parties have limited presence in the domestic sales market for alloy billets.
30. In view of the foregoing, the Commission is of the view that horizontal overlaps resulting from the Proposed Combination are not likely to result in any appreciable adverse effect on competition in any of the segments, as discussed above.

### ***B. Vertically related markets***

31. As already stated, both the Parties are large integrated steel producers and are active across the value chain in the flat steel products. Further, the finished product at the end of each of the stage in the production process of flat carbon steel products *i.e.* hot



rolling, cold rolling and coating, may be sold either in the open market or utilized for further processing in the next stage. Accordingly, following vertically related markets are identified for competition analysis:

- i. *Upstream segment of hot metal/sponge iron and downstream segment of semi-finished slabs;*
- ii. *Upstream segment of semi-finished slabs and downstream segment of hot rolled products (HR products);*
- iii. *Upstream segment of HR products and downstream segment of (i) cold rolled products (CR products); and (ii) Tubes and Pipes (T&P);*
- iv. *Upstream segment of CR products and downstream segment of (i) surface coated products (SCP); and (ii) T&P;*
- v. *Upstream segment of galvanized products (GP) and downstream segment of colour-coated products (CCP);*

32. However, for reasons already discussed above, each of the above-mentioned markets is characterized by presence of significant competitors. Therefore, the Commission is of the view that post combination, TSL would not have the ability to foreclose the market for other competitors.

33. In view of the foregoing, the Commission noted that the Proposed Combination does not give rise to any competition concerns regardless of the manner in which the relevant market is defined. Accordingly, the Commission decided that for the purpose of this decision, the exact delineation of relevant market for supply of steel products in India may be left open.

34. 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.

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



सत्यमेव जयते



36. 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.
37. The Secretary is directed to communicate to the Acquirer accordingly.

**(Augustine Peter)**  
**Member**

**(U. C. Nahta)**  
**Member**

**(G. P. Mittal)**  
**Member**

**(Sudhir Mital)**  
**Chairperson**