



01.11.2018

Notice u/s 6 (2) of the Competition Act, 2002 given by  
Siemens Aktiengesellschaft and Alstom S. A.

**CORAM:**

Mr. Sudhir Mital  
Chairperson

Mr. Augustine Peter  
Member

Mr. U. C. Nahta  
Member

**Legal Representatives:** Platinum Partners and Shardul Amarchand Mangaldas & Co.

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

1. On 20.07.2018, the Competition Commission of India (“**Commission**”) received a notice jointly given by Siemens Aktiengesellschaft (“**Siemens**”) and Alstom S. A. (“**Alstom**”) (Hereinafter, Siemens and Alstom are collectively referred to as “**Parties**”).
2. The proposed combination relates to the combination of Alstom and the mobility business of Siemens by way of a contribution of Siemens’ mobility business to Alstom in consideration for newly issued Alstom shares representing ~50 per cent of Alstom's share capital on a fully diluted basis. As a result of the proposed combination, Siemens will acquire sole control over Alstom.



3. The Parties have entered into a Business Combination Agreement (“BCA”) executed on 23.03.2018, for the purpose of the proposed combination. The proposed combination has been filed under Section 6(2) of the Competition Act, 2002 (“Act”) read with Section 5(a)(i)(B) of the Act.
4. In terms 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 03.08.2018, the Parties were required to remove defects and provide certain information/document(s). The Parties submitted response to the same on 17.08.2018 after seeking extension of time which was followed by a supplementary submission dated 29.08.2018. Meanwhile, as the above said response was not complete, *vide* letter dated 31.08.2018, the Parties were required to remove defects and provide information/document(s) by 04.09.2018. The Parties filed complete response to the same on 24.10.2018.
5. Further, in terms of sub-regulation 3 of Regulation 19 of the Combination Regulations read with sub-section 4 of Section 36 of the Act, certain information relating to the products, services and solution offered by the Parties relating to the mobility business was sought from the customers of rail mobility services in India and the competitors of the Parties.

### **PARTIES TO THE PROPOSED COMBINATION**

6. **Siemens** is a publicly held German stock corporation with its shares quoted on the Frankfurt am Main, Germany and Xetra stock exchanges.
7. The mobility business of Seimens provides products, solutions, and services regarding the transportation of people and goods by rail and road. This business division offers a broad portfolio of rolling stock, rail automation and signalling solutions, rail electrification systems, road traffic technology, IT solutions, as well as other products and services concerning the transportation of people and goods by rail and road.
8. In relation to the mobility business in India, Siemens operates through three of its subsidiaries which are part of the Proposed Combination, namely, Siemens Rail Automation Private Limited, Bytemark India Private Limited and Bytemark India Limited Liability Partnership. It has been



stated in the notice that some sales in India relating to mobility business are also made through Siemens Limited and Siemens Technology and Service Private Limited.

9. Apart from mobility business, Siemens is also engaged in various other businesses such as power and gas, power generation services, energy management and building technologies. However these businesses are not part of the Proposed Combination.
10. **Alstom**, a company organised under the laws of France, is listed on the Euronext Paris Stock Exchange. It is *inter alia* engaged in the business of products, services and solutions relating to rail transport industry, personalised services and digital mobility and signalling solutions.
11. It has been submitted by the Parties that following General Electric's (**GE**) acquisition of Alstom's Thermal Power, Renewable Power, and Grid Business, Alstom is a non-controlling minority shareholder in three joint ventures with GE namely: (i) the Grid and Digital Energy Joint Venture (ii) the Renewable Energy Joint Venture and (iii) the Global Nuclear and French Steam Joint Venture. Pursuant to the above combination, Alstom acquired GE's signalling business.
12. In India, Alstom is present only in products, services and solutions relating to mobility business. Alstom manufactures and supplies, *inter alia*, signalling systems, rolling stock (including locomotives), rail electrification, track works, maintenance services and also provides associated construction and engineering services. In India, it operates through following subsidiaries:
  - i. Alstom Manufacturing India Private Limited (**AMIPL**);
  - ii. Alstom Systems India Private Limited;
  - iii. Alstom Transport India Limited (**ATIL**); and
  - iv. Madhepura Electric Locomotive Private Limited (**MELPL**)<sup>1</sup>

## COMPETITION ASSESSMENT

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<sup>1</sup> This is part of the Alstom group with 74% equity shareholding being held by AMIPL, and the rest being held by the Government of India (Ministry of Railways). The mandate for MELPL is governed by the Procurement-cum-Maintenance Agreement signed by Alstom with Indian Railways.



13. It is noted that businesses of the Parties relating to the Proposed Combination broadly concerns the mobility businesses. In India, Siemens and Alstom are engaged in products, services and solutions relating to railway transportation which *inter-alia* include rolling stock, signalling and electrification of railway tracks. With regards to mobility business, Parties have a wide product portfolio and compete in tenders for the manufacture and supply of:

- **Signalling solutions:** Signalling solutions include signalling systems that provide safety controls on mainline and urban rail networks.
- **Rail electrification:** Rail electrification encompasses power supply and contact line systems for urban and mainline railways.
- **Rolling stock (trains including locomotive):** Mainline rolling stock includes intercity and regional trains while urban rolling stock includes metros.

### Signalling

14. Signalling systems provide safety controls on rail networks. These systems prevent trains colliding with one another by preventing two trains from meeting on the same section of track. Although there appears to be some degree of supply-side substitutability between mainline and urban signalling, however, there are differences in technology and specifications, customers, standards of systems, and size of the project. In view of the above, the segments of mainline signalling and urban signalling have been assessed separately.

15. With regards to the further segmentation at the product level, it is noted that there is no overlap between the Parties for supply of signalling products as Alstom does not have any such sales in the last five years. Further, in relation to urban signalling, majority of customers have stated that (a) complete signalling system is designed and supplied for a Metro Project; (b) segmentation of urban signalling project is not feasible as inter operable systems from different vendors are not available in the market; and (c) competitive conditions do not differ as there are adequate numbers of independent suppliers. Further, as the majority of customers are not aware about signalling suppliers that are not capable of bidding for projects with a size above a certain threshold, the Commission has not gone into further segmentation of the urban and mainline signalling on the basis of size of projects.



16. With regards to the geographic segmentation, the Commission is of the opinion that the scope of the relevant market for mainline and urban signalling extends to the whole of India. Since, the Proposed Combination does not raise any competition concerns under any potential market segmentation, the definition of the relevant product and geographic market is being left open.
17. With regard to the maintenance for signalling the Commission noted that parties do not provide maintenance services for the signalling equipment of other signalling suppliers in India but provides these services for its own equipment on a captive basis and thus there is no need to define a separate market for services and maintenance for mainline signalling projects.
18. It has been stated that in main line signalling Siemens has a considerable experience as compared to Alstom which is stated to be a relatively new player in this segment having entered the Indian mainline signalling market only after acquiring GE's global signalling business.
19. The Commission noted that combined market shares of the Parties in terms of order intake value during 2013-17, in the mainline signalling segment, is in the range of [20-25]%. Further, given that the mainline signalling segment is a bidding market, the Commission also considered and analysed the past bidding data and observed that Alstom has not been a frequent bidder in mainline signalling tenders and there has been very negligible bidding overlap between the Parties in this segment. Further, as per the third-party responses and data submitted by the Parties, there are other credible and big competitors operating in the segment such as Larsen and Toubro, Hitachi- Ansaldo, Kyosan and CRSC.
20. It has been submitted that both Siemens and Alstom have been active in the urban signalling market in India, and have executed signalling projects for various metro rail corporations. The Commission noted that combined market shares of the Parties in terms of order intake value during 2013-17, in the urban signalling segment, is in the range of [25-30]%. Further, given that the urban signalling segment is a bidding market, the Commission also considered and analysed the past bidding data and observed that the other players are competing in terms of bidding as well winning the contracts. Further, as per the third-party responses and data submitted by the Parties, there are other credible and big competitors operating in the segment are Bombardier, Hitachi- Ansaldo, Nippon and Thales.



21. In view of the foregoing, it is observed that the proposed combination is not likely to result in an appreciable adverse effect on competition in the market of mainline as well as urban signalling in India.

### **Rail Electrification**

22. Rail electrification encompasses power supply and contact line systems for urban and mainline railways. In simple words, rail electrification provides traction energy to trains. The transmission of power is provided along the track by way of overhead wire or at ground level, using an extra third rail laid close to the tracks.

23. It involves, *inter alia*, opening up new lines and increasing electrification capacity, as well as linking networks. It is observed that there could be a sub-segmentation of the rail electrification market into (i) traction power supply; and (ii) contact lines and in this regard, majority of the customers have stated that bids are invited for the entire project of rail electrification. Further, similar to signalling, there could exist separate product markets for urban and mainline rail electrification considering the difference in conditions of competition for these two segments on account of different customer base and distinction between OEMs and non-OEMs.

24. With regards to the geographic market, the scope of the relevant market for rail electrification extends to the whole of India. However, given that the Proposed Combination does not raise any competition concerns irrespective of the manner in which the market are delineated, the definition of the relevant product and geographic market is being left open.

25. Both Siemens and Alstom are active players in the broader segment of rail electrification.

26. The Commission noted that combined market shares of Parties in terms of order intake value during 2013-17, in the mainline rail electrification segment, is in the range of [5-10]%. Further, given that the mainline electrification segment is a bidding market, the Commission also considered and analysed the past bidding data and observed that out of six tenders in the mainline electrification, the overlapping bid amongst Parties was only one. As per the third-party responses and data



submitted by the Parties, there are other credible and big competitors operating in the segment are Larsen and Toubro, ABB, Isolux, Kalpataru, KEC and Tata Projects. Apart from above, there are several new players which have entered in the segment such as Sterlite power grid Ventures, Transrail Lighting and EMC Limited.

27. It has been further submitted that both Siemens and Alstom have been active in the urban rail electrification in India, and have executed electrification projects for various metro rail corporations. The Commission noted that combined market shares of the Parties in terms of order intake value during 2013-17, in the urban rail electrification segment, is in the range of [25-30]%. Further, given that the urban rail electrification segment is a bidding market, the Commission also considered and analysed the past bidding data and observed that out of twelve tenders in the mainline electrification, the overlapping bid amongst Parties was only one and thus, there was negligible overlap between the Parties in terms of bidding. It is also noted that there are other players competing with the Parties terms of bidding as well as winning the contracts. As per the third-party responses and data submitted by the Parties, other credible and big competitors operating in the segment are Larsen and Toubro, Hitachi-Ansaldo, Isolux, Sterling & Wilson and Tata Projects. Further, there are several new players in the segment such as Sudhir – Cobra, Ingenieria and Furrer & Frey.
28. In view of the foregoing, it is observed that the proposed combination is not likely to result in an appreciable adverse effect on competition in the market of mainline as well as urban rail electrification in India.

### **Rolling Stock**

29. The term “rolling stock” refers to the various vehicles that travel on railway networks, whether powered or not (i.e. self-propelled). Such “rolling stock” includes high speed trains, mainline trains, trams / light rail vehicles, metros, locomotives and passenger coaches. The rolling stock segment may be further divided into the following categories: (a) mainline rolling stock; (b) urban rolling stock; and (c) locomotives.



30. Mainline rolling stock or trains are those vehicles, which circulate around and between cities. They operate on large networks and are used for transporting both passengers and goods.
31. Urban rolling stock or trains refer to trains operating within cities, typically on closed networks – separate from mainline networks – that are not shared between operators or with freight rail transport. Urban rolling stock includes (a) trams / light rail vehicles; (b) automated people movers (*APMs*); and (c) metros. The Parties are stated to have never supplied trams / light rail vehicles and / or *APMs* in India.
32. In respect of mainline rolling stock, it has been submitted that there are no bidding and/or order intake overlaps between the Parties.
33. In respect of urban rolling stock, it has been submitted that there has been no order intake or bidding overlap (except in 2013) between the Parties during the last five years. In 2013, both Siemens and Alstom had participated in a tender issued by the Delhi Metro for supply of metro rolling stock, which was won by Hyundai Rotem. The market share of Alstom in this segment is [10-15]% and Siemens do not have any order intake during 2013-17. As per the information given by the Parties, Hyundai Rotem, BEML, Bombardier, Hitachi-Ansaldo, CRRC, *etc.* are other significant competitors present in this segment.
34. In respect of locomotives, it has been submitted that whilst Alstom is active in locomotives rolling stock in India, Siemens has not supplied complete locomotives in India to date. Therefore, there is no market share overlap between the Parties in respect of locomotives during the last five years. Further, as per the data given the Parties there is a limited bidding overlap relating to a single locomotives project in 2015. Market investigation has revealed that CRRC, Bombardier, Hitachi, GE, BHEL are credible suppliers for locomotives in India.
35. Further, with respect to supply of propulsion system, auxiliary converters, bogies, *etc.*, the Parties have submitted that there is neither any order intake overlap nor any bidding overlap between them, during last five years.





**COMPETITION COMMISSION OF INDIA**  
**(Combination Registration No. C-2018/07/588)**



*Fair Competition  
For Greater Good*

36. In view of the foregoing, it is observed that the proposed combination is not likely to result in an appreciable adverse effect on competition in the market(s) of rolling stock including locomotives in India.
37. Considering the facts on record and the details provided in the notice given under Section 6(2) of the Act and assessment of the Proposed Combination on the basis of factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India in any of the relevant market(s) and therefore, the Commission hereby approves the same under Section 31(1) of the Act.
38. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.
39. The information provided by the Parties is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
40. The Secretary is directed to communicate to the Parties accordingly.