



24.04.2020

Notice u/s 6 (2) of the Competition Act, 2002 given by JSW Projects Limited

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

1. On 06.03.2020, the Competition Commission of India (**Commission**) received a notice under Section 6(2) of the Competition Act, 2002 (**Act**) filed by JSW Projects Limited (**JPL / Acquirer**).
2. The notice was given pursuant to the execution of Investment Agreement dated 04.03.2020 between JPL, B.M.M Ispat Limited (**BMM / Target**) and the promoters of BMM (**Promoters**) whereby JPL will be entitled to hold majority of the issued and paid up share capital of BMM on a fully diluted basis (**Proposed Combination**). Hereinafter, JPL and BMM will be referred to as "**Parties**".
3. 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 18.03.2020, JPL was required to provide certain information(s)/ clarification(s); response to the same was received on 02.04.2020 (**Response**). Further, certain clarification(s)/ information(s) were sought from the Parties in relation to Response; reply to the same was received on 17.04.2020. Additional questions in the nature of clarification(s) in relation to the Proposed Combination were sought from the Parties; response to the same was received on 23.04.2020.



Competition Commission of India
(Combination Registration No. C-2020/03/733)



4. JPL, a public limited company incorporated in India, is stated to be a part of the JSW Group and is engaged in the business of manufacture of direct reduced iron/ sponge iron, coke dry quenching and power generation for captive use, which are ultimately used in the manufacture of steel and steel products on a job work basis for JSW Steel. It is also stated that JPL does not have any customer, other than JSW Steel.
5. JSW Steel, a company listed on the BSE and National Stock Exchange of India Limited (NSE), belonging to the JSW Group is stated to be engaged in the manufacture and sale of iron and steel products such as coke, iron ore pellets, pig iron, hot rolled coils and sheets and plates, cold rolled coils and sheets, bare and pre-painted galvanized & galvalume products, TMT bars, wire rods and special steel.
6. BMM, a public limited company incorporated in India, is engaged in the manufacture and sale of steel products namely (i) iron ore pellets; (ii) sponge iron; (iii) TMT bars; (iv) Semis; (v) bars; and (vi) by-products. BMM is also stated to be engaged in generating electricity to meet its own requirement and the surplus electricity, if any, generated is exported to the state / national grid.
7. The Commission in its decisional practice in cases relating to steel sector has noted that there are various stages in the production process of steel products starting from production/sourcing of inputs to production/sourcing of iron and semis and subsequent production of finished steel products. The inputs include iron ore, coal, coke, power etc. The production of iron includes production of iron pellets, pig iron, sponge iron and production of semis include production of solid steel products such as slabs, billets and blooms. The finished steel products are manufactured in different rolling mills and classified broadly as flat and long steel products. The flat steel products are manufactured from slabs while long steel products are manufactured from billets and blooms. Flat steel products can be further segregated on the basis of the manufacturing stage of their production process as the finished product may be sold at each of these stages or be utilized for further processing in the next stage.
8. Accordingly, the Commission has previously segregated flat steel products as: (i) Hot rolled coils and sheets and plates (**HR-CSPs**); (ii) cold rolled coils and sheets (**CRCSs**); (iii) surface coated products (**SCPs**) (further segregated into galvanized products (**GPs**) and colour coated products (**CCPs**); and (iv) tubes and pipes (**T&Ps**) (further segregated on various criteria such as: (i) seamless or welded; (ii) small, medium or large diameter pipes etc.). Long products are further segregated into various products segments such as bars and rods, TMT rebars etc.
9. The Commission has previously noted that technical characteristics, intended use, price levels, etc. for each of the aforesaid product segments/sub-segments differ from



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(Combination Registration No. C-2020/03/733)



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each other and that each of these product segments may constitute separate relevant product market. The relevant geographic market has previously been considered to be the entire territory of India. However, the exact definition of relevant product or geographic market has been left open in the respective cases as the transactions were not giving rise to competition concern irrespective of the manner in which the market is defined. The same approach has been followed in the assessment of the Proposed Combination.

10. In accordance with the aforesaid segmentation, the activities of the Parties overlap in respect of manufacture and sale of certain steel products in India, viz., (i) iron ore pellets; (ii) sponge iron; (iii) Semis; (iv) TMT bars; (v) bars.
11. It was observed that the combined market share of the Parties, in terms of installed capacity, does not exceed 20 percent in any of the aforesaid product segments, except for Iron Ore Pellets, in which the combined market share is estimated to be around [25-30] percent. Further, in each of the aforesaid product segments, the incremental market share is estimated to be around [0-5] percent. In terms of domestic sales, the combined market share of the Parties does not exceed 15 percent in any of the aforesaid product segments, including the Iron Ore Pellets. Further, in each of the aforesaid product segments, the incremental market share is estimated to be around [0-5] percent. Further, the Commission observed that all the aforesaid product segments are characterized by presence of competitors such as Tata Steel, Essar Steel Limited and SAIL.
12. As stated above, the finished product at each stage of steel production chain may be sold or be utilized for further processing in the next stage leading to vertically related markets. BMM is not present in the mining of iron ore, or market of pig iron. Considering the aforementioned analysis in terms of market shares and presence of other players in the market(s), the combined entity is not likely to have ability as well as incentive in any of the vertically related markets to foreclose the same for the competitors.
13. 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 based on the 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.
14. The Commission also observes that the non-compete covenant is not ancillary to the Proposed Combination in terms of “Guidance on Non-Compete Restrictions” as available on the website of the Commission.



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15. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
16. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
17. The Secretary is directed to communicate to the Acquirer accordingly.