



**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2016/05/397)

**23<sup>rd</sup> June, 2016**

**Notice under Section 6 (2) of the Competition Act, 2002 given by American & Efird Global, LLC**

**CORAM:**

Mr. S.L. Bunker  
Member

Mr. Sudhir Mital  
Member

Mr. U.C. Nahta  
Member

Mr. G.P. Mittal  
Member

**Legal Representative:** M/s JSA Advocates & Solicitors

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

1. On 10<sup>th</sup> May 2016, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice filed by American & Efird Global, LLC (“**A&E**”/ “**Acquirer**”) under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”). The notice was filed pursuant to the execution of Share Sale and Purchase Agreement and the Amended and Restated Shareholders’ Agreement executed among A&E, Vardhman Yarns and Threads Limited (“**VYTL**”) and Vardhman Textiles Limited (“**VTXL**”), each dated 9<sup>th</sup> May, 2016.
2. The proposed combination relates to the acquisition by A&E of an additional 40% of the share capital of VYTL from VTXL, thereby increasing its shareholding in VYTL from 49% to 89%. It has been submitted in the notice that A&E and VTXL will have the discretion to acquire/sell the remaining 11% of the equity share capital of VYTL at any time beginning from the expiry of three years after closing date of the proposed



combination through the exercise of call option or put option. [Hereinafter, A&E, VTXL and VYTL are collectively referred to as “Parties”].

3. As a part of the proposed combination, VYTL shall sell its land and building at Baddi, Himachal Pradesh to VTXL (“**Baddi Asset Transfer**”) and VTXL shall sell its land and building at Hoshiarpur, Punjab to VYTL (“**Hoshiarpur Asset Transfer**”). In terms of regulation 5(9) of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”)<sup>1</sup>, the assets and turnover figures of VTXL are attributed to VYTL.
4. In terms of Regulation 14 of the Combination Regulations, the Acquirer, vide Commission’s letter dated 1<sup>st</sup> June, 2016, was required to provide certain information and the response to the same was received on 6<sup>th</sup> June, 2016 and 10<sup>th</sup> June, 2016. The complete response was received on 13<sup>th</sup> June, 2016.
5. A&E, a company incorporated in the USA, belongs to the American & Efird Group (“**A&E Group**”). A&E is engaged in the manufacture and sales of industrial and consumer sewing thread, embroidery thread and technical textiles. A&E Group is present in India through VYTL and Gutermann India Private Limited (“**GI**”) - a wholly owned subsidiary of A&E engaged in the production and sales including export of apparel thread, automotive thread and specialty threads.
6. VTXL, a public limited company listed on the National Stock Exchange Ltd. and Bombay Stock Exchange Ltd., was incorporated under the provisions of the Companies Act, 1956. VTXL is engaged in the textile industry. The activities include production, sales, marketing, distribution and export of yarns, fabric, thread, fibre, garments and alloy steel.

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<sup>1</sup> Regulation 5(9) of the Combination Regulations states that:

*“Where, in a series of steps or individual transactions that are related to each other, assets are being transferred to an enterprise for the purpose of such enterprise entering into an agreement relating to an acquisition or merger or amalgamation with another person or enterprise, for the purpose of section 5 of the Act, the value of assets and turnover of the enterprise whose assets are being transferred shall also be attributed to the value of assets and turnover of the enterprise to which the assets are being transferred.”*



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7. VYTL, a private limited company incorporated under the provisions of the Companies Act 1956, is a joint venture between VTXL and A&E. VTXL and A&E hold 51% and 49% of the equity share capital of VYTL respectively. It is engaged in the production, sales, marketing, distribution and export of industrial sewing thread, consumer sewing thread and specialty threads used in clothing, home textile and leather products, etc.
8. As per the notice, currently VYTL and GI operate independently of each other. However, post the proposed combination, GI may act as a sales agent for VYTL and/or vice-versa.
9. As stated in the notice, both VYTL and the A&E (through GI and VYTL) are engaged in the manufacture and sales in the overall market of threads in India and its export. Within the overall market of threads, they are engaged in the manufacture and sale of apparel thread, automotive thread and specialty threads. However, the definition of the relevant market is left open in the absence of competition concerns.
10. The Commission noted that market shares of VYTL in the segments for apparel threads, automotive threads and specialty threads are in the range of 20-25%, 15-20% and 20-25% respectively for the year 2014-15. On the other hand, the market shares of GI in each of the above stated segments are in the range of 0-5%. The Commission noted that apart from the insignificant market shares of GI in each segment, each segment is characterized by the presence of a number of competitors such as Madura Coats Private Limited, Threads India Limited and Amann Sewing & Embroidery Threads Pvt. Ltd.
11. With regard to vertical relationships/arrangements between the Parties, it is noted that on account of the insignificant presence of GI and the presence of a number of players in the aforementioned segments for apparel threads, automotive threads and specialty threads, there is no likelihood of vertical foreclosure.
12. Considering the facts on record, the details provided in the notice given under sub section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that 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.



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