



30.11.2018

**Notice u/s 6 (2) of the Competition Act, 2002 given by Nippon Steel & Sumitomo
Metal Corporation and Sanyo Special Steel Co. Limited**

CORAM:

Mr. Ashok Kumar Gupta

Chairperson

Mr. Augustine Peter

Member

Mr. U. C. Nahta

Member

Legal Representatives of the parties: M/s L&L Partners

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

1. On 04.09.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by Nippon Steel & Sumitomo Metal Corporation (“**NSSMC**”) pursuant to execution of An Agreement on the Conversion to Subsidiary and Other Matters dated 02.08.2018 by and between NSSMC and Sanyo Special Steel Co. Limited (“**Sanyo**”).
2. The proposed combination involves (a) the acquisition of 51.5 percent shareholding in Sanyo by NSSMC; and (b) transfer of NSSMC’s 100 percent shareholding in Ovako AB (“**Ovako**”), a wholly owned subsidiary of NSSMC, to Sanyo (“**Proposed Combination**”). Subsequently, considering the composite nature of the Proposed Combination, *vide* letter dated 06.11.2018, filed under Regulation 16 of the Competition Commission of India (Procedure in regard to the transaction of business relating to Combinations) Regulations,



2011 (“**Combination Regulations**”), the Commission was informed that Sanyo may also be considered as an acquirer and accordingly the notice for the Proposed Combination be treated as jointly filed by NSSMC and Sanyo. The Commission considered the same and decided to take the information on record (hereinafter NSSMC and Sanyo are together referred to as the “**Acquirers**”).

3. In terms of Regulation 14 of the Combination Regulations, *vide* letter dated 25.09.2018, NSSMC was required to provide certain information/documents latest by 01.10.2018. NSSMC submitted its reply on 22.10.2018 after seeking extension of time. The response was incomplete and therefore letter under Regulation 14 was issued on 25.10.2018 in continuation of the letter dated 25.09.2018 and response filed by NSSMC *vide* which NSSMC was required to provide the requisite information/document(s) by 29.10.2018. A part response to the same was submitted on 06.11.2018 and final response on 22.11.2018.
4. NSSMC, headquartered in Japan, is engaged, *inter alia*, in the manufacturing and sale of steel products. Its range of products are used in automobiles, resources and energy, construction and civil engineering, railways, ship building etc. In India, NSSMC is engaged in manufacturing and sale of tubes and pipes, automotive cold rolled steel sheets, crankshafts and auto-parts. NSSMC also imports and sells products such as wires, steel sheets, welding materials *etc.*
5. Sanyo, headquartered in Japan, is stated to be one of the leading manufacturers of special steel products in Japan. Sanyo’s main business segments include manufacturing and sale of (i) special steel products; (ii) special materials i.e., heat/corrosion resistant alloys and power metallurgy products etc.; and (iii) formed and fabricated materials viz., cut rings produced from cutting special steel tubes with high precision forged rings/forged products/rolled products made from steel bars, and cold rolled formed rings made from ring material. Its special steel products focus on automobiles, industrial machinery, railways and wind power generation equipment. Sanyo is present in India in special steel products and fabricated materials.



6. Ovako, a manufacturer of steel situated in Sweden is a wholly owned subsidiary of NSSMC and is engaged in sale of steel mainly in the European market. As submitted, Ovako does not have any manufacturing unit in India but has made sales of bars, pipes and rings in India.

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. Similarly, it is noted that steel products can be bifurcated on the basis of their chemical structure and physical properties into various categories viz., carbon steel, special steel, stainless steel and tool steel. Further, these categories of steel may be bifurcated by considering products manufactured at different stages in the production process.

8. The Commission has previously noted that technical characteristics, intended use, price levels, etc. for each of the product segments/sub-segments for different types of steel and at different stages in production of steel differ from 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 all the 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.



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9. In accordance with the aforesaid segmentation, the activities of the Parties overlap in respect of sale of certain special steel products in India, viz., (i) specialty steel bars; (ii) seamless pipes; and (iii) rings.
10. As regards the market for specialty steel bars, the combined market shares of the Acquirers is estimated to be in the range of [15-20%] with an increment of [0-5%]. Further, the combined entity will continue to face significant competitive constraints from other competitors such as JSW Steel Limited, Hospet Steels Limited, Sunflag Iron and Steel Co. Limited, Mukand etc.
11. As regards the market for seamless pipes, based on market share estimates submitted by the Acquirers, they do not appear have a significant presence with combined market share being in the range of [0-5%]. Further, the combined entity will continue to face significant competitive constraints from other competitors such as Maharashtra Seamless Limited, Indian Seamless Metal Tubes, RINL etc.
12. As regards the market for rings, the Parties submitted that while Ovako supplies rings for wind power bearings in India, Sanyo, through its subsidiary manufactures and sells rings only for bearings for automobiles. However, it was also stated that Sanyo's subsidiary is in the process of entering the market for manufacture and sale of fabricated materials (including rings) for wind power bearings and has started the manufacture of such fabricated materials in the current FY 2018-19. The Commission observed that based on market share estimates submitted by the Parties the existing presence of Ovako and estimated sales volume of Sanyo in this product segment does not appear to be significant enough to cause any appreciable adverse effect on competition.
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 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.



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