



COMPETITION COMMISSION OF INDIA

(Combination Registration No.C-2022/01/897)

07.02.2022

Notice under Section 6(2) of the Competition Act, 2002 jointly filed by Reliance Industries Limited and Assets Care and Reconstruction Enterprise 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 05.01.2022, the Competition Commission of India (**Commission**) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (**Act**), jointly filed by Reliance Industries Limited (**RIL/Acquirer 1**) and ACRE-114-Trust (**ACRE Trust**), acting through its trustee Assets Care and Reconstruction Enterprise Limited (**ACRE/Acquirer 2**) (RIL and ACRE (including ACRE Trust) are collectively referred to as the '**Acquirers**').
2. The notice is filed pursuant to Resolution Plan dated 10.12.2021 submitted to the Resolution Professional in the Corporate Insolvency Resolution Process (**CIRP**)



initiated in relation to Sintex Industries Limited (**Sintex/Target**), by the National Company Law Tribunal, Ahmedabad bench (**NCLT**), *vide* order dated 06.04.2021, under the provisions of the Insolvency and Bankruptcy Code, 2016 (**IBC**) (The Acquirers and the Target are hereinafter collectively referred to as the **Parties**).

3. RIL proposes to acquire 70% equity shareholding along with quasi-equity instruments, and ACRE Trust, acting through its trustee ACRE, proposes to acquire 10% equity shareholding in Sintex (**Proposed Combination**). Further, as part of the Proposed Combination, secured financial creditors of the Target (collectively, the **Lenders**), which form a part of the Committee of Creditors (**CoC**), propose to acquire 20% equity shareholding in the Target but will not acquire any board seat or control. Pursuant to the Proposed Combination, the Target will be jointly controlled and managed by the Acquirers.
4. In terms of Regulation 14 of Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (**Combination Regulations**), the Commission, *vide* communication dated 14.01.2022, sought certain information(s)/clarification(s), *inter alia*, relating to the activities of the Parties; the response to the same was received on 21.01.2022 (**Response**). Certain further clarification(s)/information(s) were provided on 26.01.2022 and 28.01.2022.
5. RIL is a listed company incorporated in India and the ultimate holding company of its subsidiaries. It is stated in the notice that in February 2020, RIL acquired an equity stake in the textile manufacturer Alok Industries Limited (**Alok**), which was auctioned under CIRP. Currently, RIL holds 40.01 % and JM Financial Asset Reconstruction Company Limited holds 34.99 % equity stake in Alok, the remaining 2 % being held by public shareholders. RIL is engaged in several businesses such as the exploration and production of oil and gas; petroleum refining and marketing; manufacture and sale of petrochemicals; etc. It is stated in the notice that the activities of RIL that are relevant



from the perspective of the Proposed Combination are manufacture and sale of polyester fibres and yarns such as Polyester (PET) chips, Polyester Staple Fibre (PSF) and Polyester Filament Yarn (PFY)¹; cotton yarn (through Alok); fabrics and apparel such as accessories, apparel fabrics, embroidered products, garments and home textiles and work wear fabrics; and online and offline retail segment.

6. ACRE is a company incorporated in India and registered with the Reserve Bank of India as an Asset Reconstruction Company under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest, Act 2002 (**SARFAESI Act**). ACRE is engaged in the acquisition of non-performing assets from banks/financial institutions. It sets up various trusts for acquiring stressed assets under the SARFAESI Act. Similarly, ACRE, in its capacity as the trustee of the ACRE Trust, holds and stands possessed of the investments in the name of the ACRE Trust. The ACRE Trust does not carry out any activities and has been specifically created for the Proposed Combination.
7. The Target is a company incorporated in India and engaged in the manufacture and sale of different varieties of yarns, primarily cotton yarn, cotton blended yarn, and 100 % wet linen yarn. The yarn products offered by the Target are utilised by weavers, knitters, composite textile mills, and large buying houses that work for brands in India and across the globe. The Target is engaged in the sale and export of its yarns to clients across the globe through its subsidiary, BVM Overseas Limited.
8. In relation to the horizontal overlaps, it is submitted in the notice that the Target and RIL are both engaged in the manufacture and sale of yarns in India. Specifically, the Target produces cotton yarn, cotton blended yarn, and linen yarn in different varieties and RIL produces polyester-based yarns such as PSF and PFY, and manufactures cotton yarn through its joint venture Alok. Accordingly, it is submitted that the activities of the

¹ Including the following variants of PFY: Partially Oriented Yarn (POY), Polyester Textured Yarn (PTY), Fully Drawn Yarn (FDY), Poly viscose yarn and Wool Polyester Yarn, Industrial Yarn (IDY) such as Super High Tenacity Yarns, Adhesive Activated Yarns, Low Shrinkage Yarns and High Modulus Low Shrinkage (HMLS) Yarns



Parties overlap in the broad segment of the manufacture and sale of cotton yarn. Further, in relation to the relevant geographic market, it is submitted that since the variants of yarn are sold throughout India and conditions of demand and supply are homogenous across the country, the relevant geographic market may be delineated as the “entire territory of India”. Therefore, based on above, the relevant market for horizontal overlap has been defined as “the market for manufacture and sale of cotton yarn in India”

9. With respect to vertical relationship, it is submitted in the notice that the Target and RIL (inclusive of Alok) are involved in activities that may constitute actual and/or potential vertical overlaps. Accordingly, four vertical relationships have been identified by the Parties. It is stated in the notice that, at the upstream level, the Target is engaged in manufacture and sale of cotton yarn, cotton blended yarn, and linen yarn which are used at the downstream level in: (a) the manufacture of fabrics by RIL (inclusive of Alok) (**Vertical Overlap-I**), (b) the manufacture of apparels by RIL (through Alok) (**Vertical Overlap-II**) and (c) the manufacture home textiles by RIL (through Alok) (**Vertical Overlap-III**). Lastly, at the upstream level, RIL (inclusive of Alok) is engaged in the manufacture and sale of PSF in India, which is used by the Target at the downstream level in the manufacture of cotton blended yarn (**Vertical Overlap-IV**).

10. In view of the above, the relevant markets for the Target at the upstream level in relation to Vertical Overlap I, II and III are identified as (a) “market for manufacture and sale of cotton yarn in India”, (b) “market for manufacture and sale of cotton blended yarn in India” and (c) “market for manufacture and sale of linen yarn in India”, and at the downstream level, the relevant market for RIL in relation to Vertical Overlap I is identified as “market for manufacture and sale of fabrics in India”, for Vertical Overlap II as “market for manufacture and sale of apparels in India” and for Vertical Overlap III as “market for manufacture and sale of home textiles in India”. Further, for Vertical Overlap-IV, at the upstream level, the relevant market for RIL is identified as “market for manufacture and sale of PSF in India”, and at the downstream level, the relevant



market for the Target is identified as “market for manufacture and sale of cotton blended yarn in India”.

11. The Commission decided to assess the Proposed Combination in the segments identified by the Parties. However, exact delineation of the relevant market has been left open, as the material available on record does not suggest that the Proposed Combination is likely to cause any competition concern in India.
12. Based on the submissions of the Parties on the horizontal overlap between them, it is noted that the combined market share of RIL (through Alok) and the Target in the relevant market for manufacture and sale of cotton yarn in India is in the range of [0–5] % with a negligible increment. Further, the market is characterised by the presence of other players such as Vardhman Textiles Limited, Sutlej Textiles and Industries Limited, Nahar Group, Nitin Spinners Limited, and Trident Limited, who would continue to exert competitive constraints on the Parties post the Proposed Combination. Furthermore, it is mentioned in the notice that there are several other small-scale unorganised players operating the relevant market.
13. With respect to the vertical relationships identified in the notice, it is noted from the submissions of the Parties that, for Vertical Overlap I, II, and III, the market shares of the Target (at upstream level) in the relevant market for manufacture and sale of cotton yarn in India is in the range of [0–5] %; in the relevant market for manufacture and sale of cotton blended yarn in India is in the range of [0–5] % and in the relevant market for manufacture and sale of linen yarn in India is in the range of [5-10] %. Further, the market shares of RIL (inclusive of Alok) at the downstream level in the relevant markets for manufacture and sale of fabrics, apparel, and home textiles are each in the range of [0–5] %. Also, it is mentioned in the notice that there are other players in the markets at the upstream level, i.e., the market for manufacture and sale of cotton yarn/ cotton blended yarn/ linen yarn such as Vardhman Textiles Limited, Sutlej Textiles and Industries Limited, Nahar Group, etc. Similarly, the markets at the downstream level are



characterised by the presence of other players such as (i) Vardhman Textiles Limited, Arvind Limited, Raymond Limited, Nahar Group, and Morarjee Textiles Limited in the market for manufacture and sale of fabrics; (ii) KPR Mill Limited, Gokaldas Exports Limited, Kitex Garments Limited, and Pearl Global Industries Limited in the market for manufacture and sale of apparels; and (iii) Welspun India Limited, Trident Limited, Himatsingka Seide Limited, and Indo Count Industries Limited in the market for manufacture and sale of home textiles. In addition, it is noted from the submissions of the Parties that the relationship between the Target and RIL (through Alok) in terms of sales by the Target to Alok has been very less in comparison to the Target's revenue. Also, in terms of volume, there has been limited consumption of the Target's yarns by Alok.

14. Further, with respect to Vertical Overlap-IV, it is noted from the submissions of the Parties that the market share of RIL (inclusive of Alok) in the upstream market for manufacture and sale of PSF in India is in the range of [35–40] % by both value and volume. On the other hand, the market share of Target in the downstream market for manufacture and sale of cotton blended yarn in India is in the range of [0–5] %, by both value and volume. In addition, it is noted from the submissions of the Parties that there were no sales from RIL to Target in FY 2020–21 and certain limited sales in the previous years, which were miniscule in comparison to RIL's revenue. In terms of volume also, the Target had minimal requirement of PSF to produce cotton blended yarn. Thus, given the insignificant presence of the Target in the downstream market for cotton blended yarn, it appears that the Proposed Combination is not likely to raise any vertical foreclosure concern.

15. Considering the material on record including the details provided in the notice and the 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.



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16. This order may be revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
17. The information provided by the Acquirers shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.
18. The Secretary is directed to communicate to the Acquirers accordingly.