



18.09.2018

**Notice u/s 6 (2) of the Competition Act, 2002 given by ArcelorMittal Societe-
Anonyme and Nippon Steel & Sumitomo Metal Corporation**

CORAM:

Mr. Sudhir Mital

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 13.08.2018, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by ArcelorMittal India Pvt. Ltd. (“**AMIPL**”) relating to proposed acquisition of Essar Steel India Limited (“**Essar**” / “**Target**”) by participating in the insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 (“**IBC**”) ¹.
2. Subsequently, *vide* letter dated 10.09.2018, filed under Regulation 16 of the Combination Regulations, the Commission was informed that the transaction involves indirect acquisition of Essar by ArcelorMittal Societe-Anonyme (“**AMSA**”) and Nippon Steel & Sumitomo

¹ While filing the notice, AMIPL submitted an undertaking under Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), to provide certain information/document(s) by 20.08.2018. The said information/documents were filed by AMIPL on 20.08.2018.



Metal Corporation (“NSSMC”) through AMIPL and therefore AMSA and NSSMC may together be referred to as the acquirers for the purposes of the transaction and that the definition of proposed combination be amended accordingly. The Commission considered the same and decided to take the information on record. Accordingly, the proposed combination is defined as acquisition of Essar by AMSA and NSSMC through AMIPL (“**Proposed Combination**”) (hereinafter AMSA and NSSMC are collectively referred to as the “**Acquirers**” and Acquirers and Essar are collectively referred to as the “**Parties**”). The notice was given pursuant to the Resolution Plan dated 12.02.2018 submitted to the Resolution Professional in accordance with the provisions of the IBC. The Acquirers submitted certain additional information *vide* email on 17.09.2018.

3. AMSA is the ultimate holding company of the ArcelorMittal Group of companies (“**AM Group**”). As submitted, AM Group has several entities that are engaged in manufacturing and trading of iron and steel and has substantial mining operations in respect of iron ore and coal. AM Group has manufacturing operations in eighteen countries with total production capacity of 100 million tonnes per annum (“**MTPA**”) and has sales presence in 60 countries. AM Group does not have a steel manufacturing unit in India but has presence in India in form of sale of steel products.
4. NSSMC was established in 2012, with the merger of Nippon Steel Corporation and Sumitomo Metal Industries Limited. NSSMC Group is engaged in the manufacturing of steel products in fifteen countries. As submitted, as on 31.03.2017, the consolidated crude steel production of NSSMC stood at 46 MTPA. NSSMC is engaged in manufacturing and sale of Tubes and Pipes and sale of certain other steel products in India.
5. Essar is a public unlisted company engaged in the manufacture of various steel products including Hot Rolled products, Cold Rolled products, Steel Pipes, Surface Coated products and other steel products in India.
6. 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.

7. 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 (“**CR-CSs**”); (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.*
8. The Commission has previously noted that technical characteristics, intended use, price levels, *etc.* for each of the aforesaid product segments/sub-segments 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.
9. In accordance with the aforesaid segmentation, the activities of the Parties overlap in respect of sale of certain steel products in India, *viz.*, (i) HRCSPs; (ii) CR-CSs; (iii) GPs; and (iv) T&Ps.



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2018/08/593)



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10. It was observed that as stated in the notice, AM Group and the NSSMC Group manufacturing activities in India overlap only in T&Ps wherein AM Group and the NSSMC Group are engaged in manufacturing of welded blanks and small and medium tubes respectively. The activities of the Parties overlap in terms of domestic sales for all the aforesaid product segments.
11. It was further observed that the Acquirers have an insignificant presence in India in all the overlapping segments in terms of manufacturing/sale with incremental market shares resulting from the Proposed Combination in all the aforesaid product segments being in the range of 0-5 percent and combined market share in all the aforesaid product segments being less than 20 percent. Accordingly, the Proposed Combination is not likely to change the competition dynamics of any of the affected markets in a significant manner and therefore the horizontal overlaps resulting from the Proposed Combination are not likely to result in any appreciable adverse effect on competition in any of the aforesaid product segments. Further, considering the extent of presence of the Parties at various levels of the steel production chain, the Proposed Combination is not likely to result in the combined entity having ability to foreclose any of the markets for other competitors.
12. 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.
13. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
14. The information provided by the Acquirers is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.



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15. The Secretary is directed to communicate to the Acquirers accordingly.