COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2018/08/594)

Fair Competition
For Greater Good

18.09.2018

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

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 23.08.2018, the Competition Commission of India ("**Commission**") received a notice under Section 6(2) of the Competition Act, 2002 ("**Act**") filed by JSW Steel Limited ("**JSW**" / "**Acquirer**") relating to proposed acquisition of Bhushan Power and Steel Limited ("**BPSL**" / "**Target**") by participating in the corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 ("**IBC**") ("**Proposed Combination**").

2. The notice was given pursuant to a resolution plan submitted by JSW on 08.02.2018 to the Resolution Professional ("**RP**") as per the provisions of the IBC. Certain clarifications were provided to the RP on 06.03.2018, 09.03.2018, 28.05.2018, 01.06.2018 and 10.07.2018 and in addition, an addendum was submitted by JSW to the RP on 13.08.2018

(The resolution plan of 08.02.2018 along with the clarifications and the addendum is referred to as the "**Resolution Plan**").

3. JSW, listed on the National Stock Exchange of India Limited and BSE Limited, is a flagship company of the JSW group. It is an integrated manufacturer of non-alloyed (carbon) steel, various categories of alloyed steel, etc. JSW is also engaged in the mining of iron ore in India. For semi-finished steel, it is stated that JSW has capacity of 18 million tonnes per annum ("**MTPA**") in India.

4. BPSL is a public limited company engaged in integrated steel manufacturing operations, including downstream processing of flat carbon steel products such as cold rolled sheets and coils, surface coated products, tubes and pipes and alloy based long steel products such as billets, rounds, round corner squares, bars and wire rods. BPSL's current total steel production capacity is stated to be 3.50 MTPA.

5. During the course of review of the Proposed Combination by the Commission, the Acquirer submitted certain additional information *vide* emails on 05.09.2018, 07.09.2018, 12.09.2018 and 13.09.2018.

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) Pig iron; (ii) Sponge iron; (iii) HR-CSPs; (iv) CR-CSs; (v) GPs; (vi) CCPs; (vii) T&Ps; and (viii) Bars and rods.

10. It was observed that the combined market share of the Parties, in terms of installed capacity, does not exceed 30 percent in any of the aforesaid product segments, except for CCPs, in which the combined market share is estimated to be around [30-35] percent. Further, in each of the aforesaid product segments, the incremental market share is estimated to be around [0-5] percent except for CR-CSs, GPs and CCPs, in which the increment is estimated to be around [5-10] percent. In terms of domestic sales, the

combined market share of the Parties does not exceed 30 percent in all the aforesaid product segments, including the CCPs. Further, in each of the aforesaid product segments, the incremental market share is estimated to be around [0-5] percent except for CCPs in which the incremental market share is estimated to be around [5-10] percent. Further, the Commission observed that all the aforesaid product segments are characterized by presence of significant competitors such as Tata Steel Limited (including Bhushan Steel Limited), Essar Steel Limited and SAIL.

11. Considering the overall combined market shares, incremental market shares, presence of other competitors, the Commission is of the opinion that the Proposed Combination is not likely to result in substantial change in competition dynamics or to cause any appreciable adverse effect on competition in any of the aforesaid product segments.

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. However, considering the aforesaid analysis in terms of market shares and presence of other significant competitors, the combined entity is not likely to have ability/incentive in any of the vertically related markets to foreclose any market 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 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.

14. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.

15. The information provided by the Acquirer 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 Acquirer accordingly.