



09.04.2019

**Notice u/s 6 (2) of the Competition Act, 2002 filed by JSW Steel Coated Products Limited**

**CORAM:**

Mr. Ashok Kumar Gupta  
Chairperson

Mr. U. C. Nahta  
Member

Ms. Sangeeta Verma  
Member

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

1. On 11.03.2019, the Competition Commission of India (“**Commission**”) received a notice under Section 6(2) of the Competition Act, 2002 (“**Act**”) filed by JSW Steel Coated Products Limited (“**JSWSCPL**” / “**Acquirer**”) relating to proposed acquisition of the entire business operations of Asian Colour Coated Ispat Limited (“**ACCIL**” / “**Target**”) by participating in the insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 (“**IBC**”) (“**Proposed Combination**”).
2. The notice was filed pursuant to a resolution plan submitted by JSWSCPL on 08.03.2019 to the Resolution Professional (“**RP**”) as per the provisions of the IBC (“**Resolution Plan**”).
3. JSWSCPL, a public company incorporated in India, is a wholly owned subsidiary of JSW Steel Limited (“**JSWSL**”) and is a part of the JSW group (“**JSW Group**”). JSW group through JSWSL (including JSWSCPL) is engaged in the manufacture, distribution and sale of inputs, iron and semis products, flat steel products and long steel products. JSWSCPL also



manufactures flat steel products with a focus on Surface Coated Flat Steel Products (“SCPs”) like Galvanised and Galvalume Products (“GI/GL”) and Colour Coated Products (“CCPs”).

4. ACCIL, a public company incorporated in India, is *inter alia*, engaged in manufacture of flat steel products limited to Hot rolled Flat Steel Products, Cold rolled Flat Steel Products, SCPs (including GI/GL and CCPs).
5. During the course of review of the Proposed Combination by the Commission, certain information(s)/ clarification(s) were sought; response to the same was provided *vide* emails on 27.03.2019, 30.03.2019, 03.04.2019 and 04.04.2019.
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 (“CRCSS”); (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) HR-CSPs; (ii) CRCSs; (iii) GPs; and (iv) CCPs.
10. The Commission 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 [35-40] percent. 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 increment is estimated to be around [5-10] percent. In terms of domestic sales, the combined market share of the Parties does not exceed 20 percent in all 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 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 the competition dynamics or to cause any appreciable adverse effect on competition in any of the aforesaid product segments.
12. In the instant case, there are certain existing and/or potential vertical relationships that are seen, as the finished product at each stage of steel production chain may be sold or be utilization for further processing in the next stage leading to vertically related markets. Vertical integration across various product segments generally help achieve economies of scale and gain competitive advantage. In such cases, it is required to be seen whether such vertical integration leads to any ability/incentive to foreclose in any relevant market(s).



**COMPETITION COMMISSION OF INDIA**  
**(Combination Registration No. C-2019/03/650)**



Considering the aforesaid analysis in terms of market shares and presence of other significant competitors, the combined entity does not appear to have ability/incentive in any of the vertically related markets to cause any foreclosure concern.

13. It is stated in the notice that the Proposed Combination is being contemplated due to the financial indebtedness of ACCIL and in the event the insolvency of ACCIL is not resolved, ACCIL will be liquidated which would result in the retardation of capacity utilization and production from the market, thereby impacting end-consumers. Thus, removal of ACCIL from the market appears to be imminent irrespective of the Proposed Combination.
14. 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.
15. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.
16. The information provided by the Acquirer is confidential at this stage in terms of and subject to provisions of Section 57 of the Act.
17. The Secretary is directed to communicate to the Acquirer accordingly.