

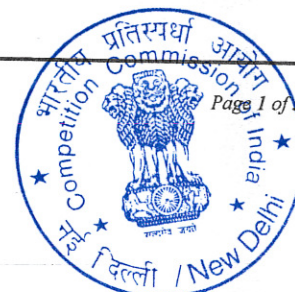
COMPETITION COMMISSION OF INDIA

2nd February, 2012

Combination Registration No.: C-2011/12/17

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

1. On 22nd December, 2011, the Competition Commission of India (hereinafter referred to as the “**Commission**”) received a notice under sub section (2) Section 6 of the Competition Act, 2002 (hereinafter referred to as the “**Act**”), of the proposed combination, from SML Isuzu Limited (hereinafter referred to as “**SML Isuzu**”), Isuzu Motors Limited {hereinafter referred to as “**Isuzu (Japan)**”} and Sumitomo Corporation (hereinafter referred to as “**Sumitomo**”) {hereinafter SML Isuzu, Isuzu (Japan) and Sumitomo are collectively referred to as “**parties to the combination**”}.
2. The notice was filed pursuant to a Share Purchase Agreement and a Shareholder’s Agreement, both executed on 25th November, 2011 by and between Isuzu (Japan) and Sumitomo.
3. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulation, 2011 (hereinafter referred to as “**Combination Regulations**”), on 26th December, 2011, the parties to the combination were required to remove certain defects and provide information/document(s) by 3rd January, 2012. In this regard, parties to the combination requested for an extension of time up to 24th January, 2012, which was accordingly granted. The response of the parties to the combination was received on 19th January, 2012.
4. Isuzu (Japan) is a company incorporated in Japan. It is engaged in the business of manufacturing and sales of commercial vehicles and engine & components in Japan and overseas. Products of Isuzu (Japan) include trucks, buses, power trains i.e. automotive engines, industrial and marine engines, pickup trucks and sports utility vehicles. As per details provided in the notice, in India, Isuzu (Japan) provides technical information, assistances and licenses to SML Isuzu to enable it



to manufacture, assemble, sell, repair and maintain vehicles in India under a technical assistance agreement entered into in June 2006. Additionally, in India, Isuzu (Japan) exports engine injection nozzles and fixing parts to one Original Equipment Manufacturer, which are customized to suit its requirements.

5. SML Isuzu is a company incorporated under the provisions of the Companies Act, 1956 and is listed on National Stock Exchange and Bombay Stock Exchange. It is engaged in the business of manufacture and sale of commercial passenger and goods carrying vehicles, primarily for the domestic market in India.
6. Sumitomo is a company incorporated in Japan having its operations across the world. It is engaged in various business activities including trading in a variety of domestic products and services, conducting import/ export and trilateral business transactions, manufacturing of auto components exported to various OEMs and non OEMs across the world. The product-based business units of Sumitomo includes metal products; transportation and construction system; infrastructure; media, network and lifestyle/retail; mineral resources, energy, chemical & electronics; and general products and real estate. As per details provided in the notice, in India, Sumitomo exports and sells auto components i.e. power trains and chassis components to SML Isuzu, which are procured by Sumitomo from Isuzu (Japan), customized to suit the needs and designs of SML Isuzu. Additionally, Sumitomo exports air conditioning units, engine related components, exhaust systems and electrical components to other Original Equipment Manufacturers (hereinafter referred to as "OEMs") and non OEMs in India. It is further stated in the notice that Sumitomo through its subsidiary, Munjal Kiri Industries Private Limited, sells brake casting components to OEMs and non-OEMs in India and through its another subsidiary, Sumitomo Corporation (India) Private Limited, distributes electrical components in India
7. Currently, Sumitomo and Isuzu (Japan) holds 54.96 per cent and 4 per cent of the equity share capital of SML Isuzu respectively. Under the proposed combination, Isuzu (Japan) is acquiring additional 11 per cent equity shares of SML Isuzu from Sumitomo and thus, increasing its equity shareholding to an aggregate of 15 per cent in SML Isuzu by entering into a Share Purchase Agreement and a Shareholder's Agreement executed on 25th November, 2011 with Sumitomo.



8. The proposed combination falls under Section 5(a) of the Act.
9. The proposed combination concerns the automotive industry in India comprising of the automobile and auto component sectors.
10. It is observed from the information provided in the notice that amongst the parties to the combination, only SML Isuzu is engaged in the business of manufacture and sale of commercial passenger and goods carrying vehicles in India. Further while, Isuzu (Japan) is engaged in manufacture and sale of commercial vehicles in Japan and overseas, it does not manufacture, sell, distribute or export any of its finished commercial vehicles in India, nor does it have any direct or indirect interest or shareholding in any of the enterprises engaged in the manufacturing or supply of commercial passenger and goods carrying vehicles in India. Further, Sumitomo, apart from SML Isuzu, does not have any direct or indirect interest in any of the enterprises engaged in the manufacturing or supply of commercial passenger and goods carrying vehicles in India.
11. As per the information published on the automotive sector by Society of Indian Automobile Manufacturers (SIAM), the automobile vehicle manufactured in India are categorized into passenger vehicles (passenger cars), commercial vehicles (comprising of passenger and goods carrying vehicles), three wheelers and two wheelers. Of the total automobile vehicles manufactured in India, commercial vehicles constitute only 4.36 per cent during the financial year 2010-11. It has been stated in the notice that SML Isuzu is solely engaged in the manufacture of commercial vehicles (both passenger and goods carrying) in India. It does not manufacture any other type of automobile vehicles. On the basis of size/weight and primary use, commercial vehicles can be further sub-categorized into medium & heavy passenger carrying vehicles; light passenger carrying vehicles; medium & heavy goods carrying vehicles and light goods carrying vehicles. It is observed that in each of these sub-categories of commercial vehicles in India, the market share of SML Isuzu is in single digit.
12. It is further observed from the information provided in the notice that amongst the parties to the combination, only Isuzu (Japan) and Sumitomo are engaged in export/sale of auto components in India. As stated earlier, while Isuzu (Japan) exports customized engine injection nozzles and fixing parts to one OEM in



India, Sumitomo exports auto components i.e. power trains and chassis components to SML Isuzu, which are procured by Sumitomo from Isuzu (Japan), customized to suit the needs and designs of SML Isuzu. Additionally, Sumitomo exports air conditioning units, engine related components, exhaust systems and electrical components to other OEMs and non OEMs in India and sells brake casting and electrical components through its subsidiaries in India. It is observed from the notice that these auto components are not similar or substitutable to each other.

13. On the basis of the information published by Automotive Component Manufacturers Association of India (ACMA), it is observed that the market share of Isuzu (Japan) and Sumitomo in auto component sector in India is negligible.
14. As per the information provided in the notice, it is observed that during the financial year 2010-11, 96.17 per cent of total auto components used by SML Isuzu are sourced indigenously and only 3.83 per cent of the auto components are imported (including power trains and chassis components supplied by Sumitomo) from outside India by SML Isuzu. Further, based on the technical assistance agreement entered into in June, 2006, SML Isuzu sells Isuzu branded CVs in India, which are manufactured by SML Isuzu in India. However, the number of such vehicles is insignificant in comparison to the total commercial vehicles sold by SML Isuzu. Thus, the parties to the combination are not engaged at different levels of production in a substantial manner.
15. Based on the facts on record and the details provided in the notice filed under sub-section (2) of Section 6, the proposed combination is not likely to give rise to any adverse competition concern in India.
16. Considering the facts on record and the details provided in the notice given under sub-section (2) of Section 6 of the Act and the assessment of the proposed combination after duly considering the relevant factors mentioned in the section 20(4) of the Competition Act, 2002, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.



17. This approval is without prejudice to any other legal/statutory obligations as applicable.
18. This order shall stand revoked if, at any time, the information provided by the Acquirer(s) is found to be incorrect.
19. The Secretary is directed to communicate to the Acquirer(s) accordingly.



Certified True Copy

Anil K. Vashisht
8/2/12

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New Delhi