

## Summary of the Proposed Combination

*[In terms of Regulations 13(1A) of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011].*

### 1. Name of the parties to the combination

The names of the parties to the combination are:

- a. Kirloskar Ferrous Industries Limited (“**Acquirer**”); and
- b. ISMT Limited (“**Target Company**”).

Acquirer and the Target Company are collectively referred to as “**Parties**”

### 2. Nature and purpose of the combination

The Acquirer proposes to acquire sole control of the Target Company pursuant to (i) subscription of, by way of a preferential allotment, equity shares as per the terms of the Securities Subscription Agreement dated November 25, 2021 (“**SSA**”); and (ii) an open offer to acquire up to 25.05% of the Emerging Voting Capital (*as defined in the open offer documents*) of the Target Company, as per the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“**Proposed Combination**”). By way of the Proposed Combination, the Acquirer is seeking to acquire upto 51.25% of the Emerging Voting Capital (*as defined in the open offer documents*) of the Target Company and will acquire upto 76.3% (in the eventuality of full acceptance in the open offer) of the Emerging Voting Capital (*as defined in the open offer documents*) of the Target Company.

Simultaneous with the execution of the SSA, the relevant parties have entered into the following agreement of even date (i) the Acquirer and the Taneja Group executed a Shareholders’ Agreement to record *inter alia* certain *inter se* rights and obligations in relation to their Equity Shares, and (ii) the Acquirer and the Target Company have entered into an Unsecured Loan Agreement in relation to the grant of an unsecured loan amounting to INR 194,00,00,000 by the Acquirer to the Target Company. This Unsecured Loan will be disbursed to the Target Company simultaneous with the remittance of the Subscription Amount<sup>1</sup> under the SSA<sup>2</sup>, which would be post receipt of the approval of this Hon’ble Commission.

The Proposed Combination is notifiable under Section 5(a) of the Competition Act, 2002.

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<sup>1</sup> Term defined in the SSA to mean a sum of INR 4,76,63,00,000 (Indian Rupees Four Hundred Seventy Six Crore Sixty Three Lakh only).

<sup>2</sup> Please refer to Clause 3.1 of the Unsecured Loan Agreement.

The Target Company has been undergoing financial distress and has committed defaults from time to time. The lenders of the Target Company had initiated the process for resolution of stress in the Target Company. Based on the non-binding offer placed by the Acquirer in relation to the Proposed Combination, the Parties had commenced discussions in relation to the Proposed Combination as well as the resolution of stress in the Target Company. The capital raised by the Target Company together with funds raised from third party lenders will be utilised towards settlement of outstanding debts of the Target Company.

The Acquirer believes that it will be able to create value for shareholders of both Parties through better operational and financial performance and management of the Target Company. The Acquirer intends to support the management of the Target Company in their efforts towards the sustained growth of the Target Company. Thus, the Proposed Combination will ensure continuation of operations of the Target Company while ensuring that a legacy competitor continues to function in the market.

3. Products, services and business(es) of the parties to the combination

a. Acquirer

The Acquirer is a listed public company limited by shares and is a flagship company of Kirloskar Group. The Acquirer was incorporated on September 10, 1991 in accordance with the Companies Act, 1956 (CIN: L27101PN1991PLC063223) and is presently engaged in the business of manufacturing and sale of pig iron and grey iron castings such as cylinder blocks, cylinder heads, and transmission parts and different types of housings required by automobile, tractor and diesel engine industries.

The manufacturing facilities of the Acquirer are located at (i) Bevinahalli Village, P. O. Hitnal, Taluka & District Koppal 583234, Karnataka, (ii) Hotgi Road, Shivashahi, Solapur 413224, Maharashtra, and (iii) Paramenahally Village, Taluka Hiriya, District Chitradurga, Karnataka 577598.

b. Target Company

The Target Company is a listed public company limited by shares. The present form of the Target Company is a result of a number of mergers and amalgamations between the years 1993 and 2005, a summary of which is set out hereunder:

- i. 'The Indian Seamless Metal Tubes Limited' was incorporated on July

29, 1977. With effect from April 1, 1993, 'Seamless Tubes & Technologies (India) Limited' amalgamated into 'The Indian Seamless Metal Tubes Limited'. Thereafter, effective the appointed date of July 1, 1999, 'The Indian Seamless Metal Tubes Limited' merged with a competing entity named 'Kalyani Seamless Tubes Limited' but retained the name 'The Indian Seamless Metal Tubes Limited'.

- ii. Indian Seamless Steels & Alloys Limited was incorporated on May 26, 1989 by the promoters of Indian Seamless Metal Tubes Limited.
- iii. Jejuri Steel & Alloys Limited was incorporated as 'Gunjar Marketing Private Limited' on September 1, 1999 in the state of Maharashtra. With effect from June 7, 2000, Gunjar Marketing Private Limited changed its name to 'Jejuri Steel & Alloys Private Limited' which further changed its name to 'Jejuri Steel & Alloys Limited' with effect from February 17, 2002.
- iv. The Hon'ble Bombay High Court vide its order dated February 26, 2002 approved the merger of 'Indian Seamless Steels & Alloys Limited' with 'Jejuri Steel & Alloys Limited' and the resultant entity was named 'Jejuri Steel & Alloys Limited' which thereafter changed its name to 'Indian Seamless Steels and Alloys Limited'. Further, the Hon'ble Bombay High Court vide its order dated October 7, 2005 approved the merger of 'The Indian Seamless Metal Tubes Limited' and 'Indian Seamless Steels and Alloys Limited' and the resultant entity was named 'Indian Seamless Steels and Alloys Limited'. With effect from November 29, 2005 'Indian Seamless Steels and Alloys Limited' changed its name to ISMT Limited (i.e. the Target Company) and a fresh certificate of incorporation was issued to the Target Company.

The Target Company is engaged in the business of manufacturing steel, seamless tubes and pipes, and a number of value added products from such tubes which *inter alia* includes bearing rings, gear blanks, threaded and coupled casings. The manufacturing activities of the Target Company are conducted at (i) the steel plant located at Jejuri – Morgaon Road, Taluka Purandar, P.O. Jejuri, Pune, Maharashtra, (ii) seamless tubes and pipe plants located at (a) Plot Nos. B-13, B-14 and R-1, situated at Tandulwadi village, Baramati Industrial Area, Baramati Municipal Council Taluk, Pune District, Maharashtra, and (b) Plot Nos. B-1, C-1, C-1 Part I, C-1 Part II, C-1 Part III, C-15, C-16 and F-45, situated at the Ahmednagar Industrial Area, Nimalak village, Ahmednagar Municipal Council Taluk, Maharashtra. Further, the Target Company has a captive power plant located at Kurla village, Warora Taluka, Chandrapur District, Maharashtra.

4. Respective markets in which the parties to the combination operate

It is submitted that the precise definition and delineation of the relevant markets would not be required and that the same could be left open by the Hon'ble Competition Commission of India as the relevant markets for the purposes of the present filing are highly competitive and also since regardless of how the relevant markets are defined, the Proposed Combination will not lead to any change in the competitive landscape or cause any appreciable adverse effect on competition in India.

However, with a view to assist the Hon'ble Competition Commission of India in its assessment of the Proposed Combination, the relevant markets could be defined in the following terms:

- the relevant market of the Acquirer could be defined as "market for manufacture and sale of pig iron in India"
- the relevant market of the Target could be defined as
  - "Market for manufacture and sale of alloy and carbon steel billets & alloy and carbon cast rounds in India"
  - "Market for manufacture and sale of hot and cold finished seamless tubes & pipes in India"

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