COMPETITION COMMISSION OF INDIA

Suo Motu Case No. 05 of 2014

In Re: Formation of cartel in the supply of 14.2 kg LPG cylinders fitted with S. C. valves procured by BPCL through e-Tender No. LPG: EQ:09-10:08 dated 17.11.2009

Ginni Industries,  
42 & 43, Chauhan Arcade,  
3rd Floor, Lalji Hirji Road,  
Ranchi-834001  

J.K.B. Gas Pvt. Ltd.,  
29/5/A, A.M. Ghosh Road,  
Budge-Budge, 24 Parganas South,  
Kolkata-700137, W.B.  

Maharashtra Cylinders Pvt. Ltd.,  
404 Satyam Apartment,  
Wardha Road, Dhanolti,  
Nagpur  

Prathima Industries Pvt. Ltd.,  
‘Prathima’ 213, Jubilee Hills,  
Road No.1, Film Nagar,  
Hyderabad-500096  

Prestige Fabricators Pvt. Ltd.,  
30, Jaora Compound, M.Y.H. Road,  
Indore-452001, Madhya Pradesh  

Southern Cylinders Pvt. Ltd.,  
138, U.G.F., World Trade Centre,  
(Bhart Hotel) Babar Road,  
New Delhi-110001  

Supreme Cylinders,  
II Floor, 12 Community Centre,  
Ashok Vihar Phase-II,  
Delhi-110052
1. The Commission took *suo motu* cognizance of the matter which related to
the alleged cartelization by the manufacturers of 14.2 kg LPG cylinders in
response to the e-tender No. LPG:EQ:09-10:08 dated 17.11.2009 (**Tender
dated 17.11.2009**). The Tender was floated by Bharat Petroleum
Corporation Limited (**BPCL***) for procurement of 23.42 lakhs of 14.2 kg
LPG cylinders for 18 states across the country. There were 61 bidders, out of
these, 59 bidders were considered eligible and 2 bidders were disqualified.

2. The Commission *vide* order dated 25.08.2014, noted that the analysis of price
bids submitted by vendors, for each of the 18 states in the Tender dated
17.11.2009, showed similarity of pattern in price bids. Accordingly, the
Commission was of the *prima facie* view that such similar price patterns
indicated collusion amongst the bidders to directly or indirectly determine
the sale price and that the bidders of the Tender dated 17.11.2009 had
contravened provisions of Section 3(3)(d) read with Section 3(1) of the
Competition Act, 2002 (**Act**). The matter was, thus, referred to the Director
General (**DG**) for investigation.

3. In the meantime, a writ petition was filed before the Hon’ble High Court of
Delhi by one of the Opposite Parties namely Tirupati LPG Industries Ltd.
challenging the order dated 25.08.2014, passed by the Commission on the
ground that it was already investigated for cartelization by the Commission in *Suo Motu* Case No. 03/2011 and punitive measures were ordered against it by the Commission. It was contended in the said writ petition that it was unreasonable on the Commission’s part to once again direct investigation against the said company on the same set of allegations. The Hon’ble Delhi High Court *vide* its order dated 19.07.2017, set aside the Commission’s order dated 25.08.2014, and remanded the case back to the Commission for fresh consideration.

4. The Commission considered the matter afresh and *vide* order dated 22.12.2017, noted that the main contention of Tirupati LPG Industries Ltd. was that the Commission had already inquired into their alleged anti-competitive practices for the period 2009-2011 in relation to the same product (14.2 kg LPG cylinders) and had passed a detailed order dated 06.08.2014 under Section 27 of the Act in *Suo Motu* Case No. 03 of 2011. The Commission found merit in the above stated contention of the company and observed that apart from the said company, there were other entities also against whom investigation was ordered in the present matter and found it appropriate not to investigate those entities for the same conduct. Thus, while excluding certain entities from the purview of investigation in the present case, the Commission observed that since the conduct of 7 Opposite Parties namely, Ginni Industries, J.K.B. Gas Pvt. Ltd. (“JKB Gas”), Maharashtra Cylinders Pvt. Ltd. (“Maharashtra Cylinders”), Prathima Industries Pvt. Ltd. (“Prathima Industries”), Prestige Fabricators Pvt. Ltd. (“Prestige Fabricators”), Southern Cylinders Pvt. Ltd. (“Southern Cylinders”), and Supreme Cylinders, was not investigated by the DG in *Suo Motu* Case No. 3 of 2011, the Commission *vide* its order dated 22.12.2017, directed the DG to investigate the conduct of the said Opposite Parties under Section 26(1) of the Act. The DG was also directed to investigate the role (if any) of the persons who were in-charge of and responsible to the companies for the conduct of their business.
5. The DG pursuant to its investigation submitted the Investigation Report to the Commission on 24.10.2019. The major findings recorded in the Investigation Report are summarised as under:

a. 14.2 Kg LPG cylinders are used only for domestic consumers. These cylinders cannot be supplied by the manufacturers in the open market. Further, these cylinders are solely procured by the Oil Marketing Companies ("OMCs"). The LPG cylinder manufacturers have to adhere to the regulatory framework related to manufacture of 14.2 Kg LPG cylinders. The distribution and marketing channel for the sale and purchase of 14.2 Kg cylinders is strictly demarcated with no scope for any deviation as per regulatory structure stipulated by OMCs. Further, the statutory and licensing requirements do not permit the manufacturers of LPG cylinders to sell their product to any party other than OMCs.

b. The market for LPG in general, and 14.2 Kg LPG cylinders in particular is a demand driven market of the OMCs. OMCs then cater to the demand of the public through their authorised agents/distributors. This demand is catered on the supply side by authorised LPG Cylinders manufacturers.

c. Due to stringent specifications for manufacturer of cylinders, there is hardly any incentive for manufacturers to improvise or innovate. As every LPG cylinder manufacturer has to adhere to the technical and other specifications as specified by the OMCs, there is no scope to improvise/innovate on the part of the manufacturers of 14.2 kg LPG Cylinders.
d. Buyers in this market comprise three state owned OMCs viz. HPCL, BPCL and IOCL. These OMCs issue public tender for procurement of 14.2 Kg LPG cylinders. OMCs determine the indicative prices at which 14.2 Kg LPG cylinders are to be procured. They do this by releasing the estimates of Net Delivered Price (NDP) of cylinder for each state for every month. After L-1 price has been declared, the OMCs negotiate with manufacturers to further reduce the quoted L-1 prices through negotiation meeting organised by OMCs.

e. The Tender dated 17.11.2009 was issued by BPCL for procurement of 23.42 lakhs cylinders at estimated cost of Rs. 256.61 crores in 18 states. A total of 61 parties participated. 59 bidders were declared successful and 2 bidders were disqualified. Out of these 59 bidders, 57 were existing vendors and 2 were dormant vendors.

f. The conduct of 7 Opposite Parties namely, Ginni Industries, J.K.B. Gas, Maharashtra Cylinders, Prathima Industries, Prestige Fabricators, Southern Cylinders and Supreme Cylinders has been investigated, in terms of order under Section 26(1) dated 22.12.2017, passed by the Commission.

g. Ginni Industries: Ginni Industries had quoted bid rates for 18 states. In the state of Bihar, the bid rate quoted by Ginni Industries was found identical with 5 other bidders. In the remaining 17 states, the bid rates of Ginni Industries were not found identical with any of these five bidders nor with other bidders in the tender under investigation. During investigation, Mr. Surjeet Singh, Partner of Ginni Industries was summoned and his statement was recorded. No evidence was found by the investigation to show that
Ginni Industries quoted price bid in agreement with other 5 bidders in Bihar. Accordingly, no case of contravention of provisions of Section 3 of the Act was found against Ginni Industries.

h. **JKB Gas**: JKB Gas had quoted its bids for 18 states. In 10 states, the bid rates quoted by JKB Gas were found to be identical with the companies namely Haldia Precision Engineering Pvt. Ltd., North India Wires Ltd., North India Wires Ltd. (Unit-II) and Carbac Holdings Ltd. (Haldia Precision Engineering Pvt. Ltd., North India Wires Ltd., North India Wires Ltd. (Unit-II) and Carbac Holdings Ltd., belong to same group and hereinafter are collectively referred to as the “**Carbac Group**”). Mr. Krishna Kumar Gupta, Director, JKB Gas while recording his statement before DG, was specifically asked about his relation with the Carbac Group. Mr. Krishna Kumar Gupta though admitted that he used to talk with Mr. Bhartia of North India Wires during social gatherings and in the meeting held by the OMCs, however, he denied having had any discussion on any tender related issues with Mr. Bhartia of North India Wires. The DG observed from the statement of Mr. Gupta that he could not provide any convincing reason for identical prices between JKB Gas and Carbac Group and also did not deny his association with Mr. Bhartia of Carbac Group. He further did not refute the contents of the emails exchanged between the two entities. Mr. Gupta did not have any explanation as to why such sensitive commercial information was shared by JKB Gas with its competitor, Carbac Holdings. According to investigation, the evidence thus suggested that the identical price of Carbac Group and JKB Gas across 10 states was not a coincidence but raised a strong likelihood of identical bid
rates due to some arrangement between JKB Gas and Carbac Group. Thus, investigation revealed that JKB Gas and Carbac Group had acted in collusion. However, the Commission, vide earlier order dated 22.12.2017, had kept Carbac Group out of the purview of investigation. In view of the foregoing, the investigation found a case of contravention of provisions of the Act against JKB Gas.

i. *Maharashtra Cylinders:* On being required by the DG to furnish information, reply was furnished by Confidence Petroleum India Ltd., which informed that pursuant to the Hon’ble Bombay High Court’s order dated 18.09.2009, Maharashtra Cylinders, Khara Gas Equipments Pvt. Ltd. and Hans Gas Appliances Pvt. Ltd. were amalgamated into a single entity, *i.e.* Confidence Petroleum India Ltd. Therefore, there was one legal entity *i.e.*, Confidence Petroleum India Ltd. Maharashtra Cylinders had quoted bid prices in 18 states out of which in 13 states its rates were identical with the rates quoted by 3 bidders, namely, Teekay Metals, Super Industries and Om Containers (Teekay Metals, Super Industries and Om Containers belong to the same group and collectively hereinafter are mentioned as “Super Group”). Investigation also revealed that Maharashtra Cylinders had quoted identical bids with Sahuwala Cylinders in three states, Sarthak Industries in two states, Prestige Fabricators in three states and Vidhya Cylinders in one state. Investigation revealed that Maharashtra Cylinders failed to provide the details of arriving at the price bids in the Tender dated 17.11.2009 and component wise cost break up of 14.2Kg LPG Cylinder. Mr. Yatin Khara, Vice President of Confidence Petroleum was asked to explain the rationale behind bid rates and as to why the bid rates of Maharashtra Cylinders was identical
with Super Group companies. Mr. Khara could not explain as to on what basis the bid rates of Maharashtra Cylinders were calculated. Mr. Khara had also admitted to be in regular contact with Mr. Kishore Kela of Super Group. Accordingly, the investigation brought out that Maharashtra Cylinders along with Super Group had acted in concert in submitting their respective bids. However, *vide* earlier order dated 22.12.2017, the Commission, had kept Super Group out of the purview of investigation. In view of the foregoing, the investigation found a case of contravention of provisions of the Act by Maharashtra Cylinders. With regard to identical bids quoted by Maharashtra Cylinders with that by Vidhya Cylinders, Sahuwala Cylinders, Sarthak Cylinders and Prestige Fabricators, according to investigation, no incriminating evidence was found to prove collusion between them.

j. *Prestige Fabricators:* Prestige Fabricators had quoted price bids in 18 states. In eight states, its bids were found to be identical with SKN Industries, Super Industries, Confidence Petroleum, Hans Gas, Khara Gas, Teekay Metals, Sarthak Industries, Vidhya Cylinders, Supreme Technofabs and Maharashtra Cylinders. Prestige Fabricators quoted L-1 rates in two states *viz* Gujarat and Maharashtra, which were found to be identical with quote of Sarthak Industries and Vidhya Cylinders. Mr. Sanjay Rathi of Prestige Fabricators was asked during investigation to explain the rationale behind the bid prices being quoted by Prestige Fabricators and how they were identical with these two aforementioned bidders. When confronted, Mr. Rathi was not able to provide any plausible explanation regarding identical prices with other parties but merely stated that identical bid rates could
be due to coincidence. In regard to relationship with Vidhya Cylinders and Sarthak Industries, Mr. Rathi admitted that he and his technical manager regularly had talks with Mr. Saxena of Vidhya Cylinders and Mr. Haridasan of Sarthak Industries, which in itself suggested that there was a possibility of exchange of information among them. Investigation also revealed that these 3 companies had a common liaison agent viz. Mr. M. Rajagopalan Nair. Accordingly, the DG found Prestige Fabricators, Vidhya Cylinders and Sarthak Industries to have acted in concert. However, the Commission vide order dated 22.12.2017, had kept Vidhya Cylinders and Sarthak Industries out of the purview of the investigation. In view of the foregoing, a case of contravention of provisions of the Act was found against Prestige Fabricators. With regard to identical bids quoted by Prestige Fabricators with the rest of the bidders, no incriminating evidence was found by the investigation to prove collusion between them.

k. **Prathima Industries and Southern Cylinders**: Investigation revealed that Prathima Industries and Southern Cylinders had colluded in the Tender dated 17.11.2009. Both these bidders quoted identical prices in Andhra Pradesh, and for this purpose authorized one of their competitors, Kurnool Cylinders to negotiate L-1 price on behalf of them. Resultantly, both Prathima Industries, Southern Cylinders and their competitor Kurnool Cylinders were successful in getting purchase order for supply of 14.2 kg LPG cylinders in Andhra Pradesh. According to investigation, initially, Prathima Industries furnished wrong and misleading information that it was a new Tenderer and thus had not quoted in the Tender dated 17.11.2009. However, the documents submitted by BPCL showed that the said company had
quoted in all the 18 states. Thereafter, when Mr. B. L. N. Murthy of Prathima Industries was asked to explain the identical rates quoted by Prathima Industries, he could not provide any explanation and merely stated that Prathima Industries quoted its own rates. Mr. N. Suresh of Southern Cylinders was also asked to justify the rationale for quoting of identical rates. Investigation revealed that Mr. B.S. Reddy of Kurnool Cylinders, one of the L-1 parties in Andhra Pradesh, had represented Prathima Industries, Southern Cylinders, Shri Shakti Cylinders Pvt. Ltd., and Balaji Pressure Vessels Ltd. in the negotiation meeting of the Tender held on 11.01.2010 in Mumbai. Another important link according to investigation that pointed to the possibility of sharing of sensitive commercial information among Prathima Industries and Southern Cylinders was the presence of common agent. Mr. Prashant Bhatt worked as liaison agent for Prathima Industries and Southern Cylinders. Prathima Industries and Southern Cylinders authorized him to liaison with the OMCs. Thus, according to investigation Prathima Industries, Southern Cylinders and Kurnool Cylinders colluded in submission of their bids. However, the Commission, vide order dated 22.12.2017, had kept Kurnool Cylinders out of the purview of investigation. In view of the foregoing, investigation found Prathima Industries and Southern Cylinders to be in contravention of the provisions of the Act.

1. **Supreme Cylinders**: Supreme Cylinders had quoted in 18 states and in 8 states, bid rates quoted by Supreme Cylinders were found to be identical with Sunrays Engineers. In its written reply filed before the DG, Supreme Cylinders did not furnish any information about costing. Mr. M.L. Fatehpuria, Director of Supreme Cylinders, in his statement recorded before the DG could not
provide any reasonable explanation for identical prices quoted by
the said company in the Tender dated 17.11.2009. It was also
revealed during the investigation that both Supreme Cylinders and
Sunrays Engineers were represented by a single representative *viz.*
Mr. Manvinder Singh of Bhiwadi Cylinders in the negotiation
meeting with OMC's. Accordingly, as per the DG, the identical bid
rates quoted by Supreme Cylinders and Sunrays Engineers in 8
states and authorizing same person to negotiate the bid prices on
their behalf clearly showed that there was a collusive arrangement
amongst the two bidders in the Tender dated 17.11.2009. *Vide*
order dated 22.12.2017, the Commission had kept Sunrays
Engineers out of the purview of investigation in the present case.
Accordingly, the investigation revealed that Supreme Cylinders
had contravened the provisions of the Act.

m. The DG identified officials of JKB Gas, Maharashtra Cylinders,
Prestige Fabricators, Prathima Industries, Southern Cylinders and
Supreme Cylinders, to be liable under Section 48, for
contravention of provisions of the Act.

6. The Commission, in its meeting held on 08.01.2020, considered the
Investigation Report submitted by the DG and decided to forward copies of
the same to JKB Gas, Maharashtra Cylinders, Prestige Fabricators, Prathima
Industries, Southern Cylinders and Supreme Cylinders, and the persons
identified by the DG for the purpose of Section 48 of the Act, for filing their
respective written objections/ suggestions thereto on or before 10.02.2020
OPs and their officials found liable by the DG under Section 48 were also
asked to file copies of their audited financial statements including Balance
Sheets and Profit and Loss accounts/ Income Tax Returns for the financial

7. A brief of the objections/suggestions submitted by the Opposite Parties namely, JKB Gas, Maharashtra Cylinders, Prathima Industries, Southern Cylinders and Supreme Cylinders, is discussed as under:

a. **JKB Gas:** The instant matter is directly in conflict with the ratio of the Hon’ble Supreme Court in *Rajasthan Cylinders and Containers Limited Vs Union of India and Anr. And other connected appeals in Civil Appeal No. 3546 of 2014* (“**Rajasthan Cylinders case**”). Based on the principle of *stare decisis*, the instant case be closed. Reliance has also been placed upon the decisions of the Commission in *Suo Motu Case No. 1 of 2014* and *Suo Motu Case No. 4 of 2014*, wherein the Commission had held that in such kind of market *i.e.* monopsony/oligopsony, the procurer decides the price at which tender is to be awarded. It has also been contended that a detailed investigation in relation to same product and for nearly the same period has been concluded in *Suo Motu 1 of 2014*. In the same case, the Commission had penalized JKB Gas albeit not in relation to identical pricing but for alleged boycott of tender. Regardless, the fact remains that subject of the present case has already been determined by the Commission in *Suo Motu Case No.1 of 2014*. Accordingly, applying the ratio of Hon’ble Delhi High Court order dated 19.07.2017 and the Commission’s order dated 22.12.2017 in the
instant matter, the present case against JKB Gas should be closed. It has been further submitted that the DG has found no evidence of collusion between JKB Gas and Carbac Group and is merely relying upon identical prices and the fact that Mr. K.K. Gupta admittedly used to interact with Mr. Bhartia of Carbac Group in social gatherings. It has accordingly, prayed that the Commission closes the case against JKB Gas and Mr. K.K. Gupta, Director of JKB Gas.

b. Maharashtra Cylinders: Maharashtra Cylinders has, *inter-alia*, submitted that Maharashtra Cylinders had merged with Confidence Petroleum India Ltd, *vide* order dated 18.09.2009 and on the date of tender, *i.e.* on 25.10.2009, there was no entity by the name of Maharashtra Cylinders. It has been submitted that conduct of Confidence Petroleum India Ltd. was already examined in *Suo Motu* Case No. 3 of 2011 and while penalizing Confidence Petroleum India Ltd., under Section 27 of the Act, the turnover of Maharashtra Cylinders was included by the Commission. Accordingly, proceedings against Maharashtra Cylinders ought to be dropped in terms of order dated 22.12.2017 passed by the Commission in the instant case. Further, the Tender dated 17.11.2009 is in the nature of a rate contract and no loss has been suffered by BPCL. The DG has not considered the nature of market and the effect of an oligopolistic market. Reliance has been placed upon the judgment of the Hon’ble Supreme Court of India in *Rajasthan Cylinders case (supra)*, wherein the Hon’ble Court has held that there was no cartelisation merely on account of identity of rates being submitted by the bidders. The decision of the Commission in *Suo Motu* Case No. 1 of 2014 has also been cited in support of its submission.
c. *Prathima Industries*: Prathima Industries has, *inter-alia*, submitted that the DG has laid more emphasis on attendance of another manufacturer at price negotiation meeting on behalf of Prathima Industries. Prathima Industries has no say in fixing of prices but to accept the prices at which cylinders have to be supplied to BPCL. It has been stated that the negotiation meeting was conducted as per the procedure adopted by BPCL in an open hall for all manufacturers. There was no choice of private negotiation. The inherent nature of market of LPG cylinders itself precludes the possibility of competition. The manufacturers have no choice other than accepting the price offered by the buyer. Mere identical prices cannot be construed as an evidence of collusion. Fixation of liability of directors individually under Section 48 of the Act cannot be sustained as the penalty under the Act cannot be two-fold, *i.e.* both on directors as well as upon the company. The Directors have no nexus with the day to day affairs of the company and there is no question of their involvement in formation of cartel. Reliance has been placed upon the judgment dated 01.10.2019 of the Hon’ble Supreme Court in *Rajasthan Cylinders case* to state that the judgment is applicable to the present case as well.

d. *Southern Cylinders*: Southern Cylinders has prayed for dropping of proceedings in the instant case. It has been stated that even if manufacturers have quoted the same price, the price fixation is done by oil companies after negotiating with different manufacturers. Reliance has been placed upon the decision of the Commission in *Suo Motu* Case No. 4 of 2014 in support of their submissions.
e. Supreme Cylinders: Supreme Cylinders has, *inter-alia*, submitted that the tender under consideration is in the nature of a rate contract and no loss has been suffered by BPCL. The DG has not considered the nature of market and the effect of an oligopolistic market. Reliance has been placed upon the judgment of the Hon’ble Supreme Court of India in *Rajasthan Cylinders case (supra)*, wherein the Hon’ble court has held that there was no cartelisation merely on account of identity of rates being submitted by the bidders. The decision of the Commission in *Suo Motu* Case No. 1 of 2014 has also been cited in support of its submission.

8. Earlier, *vide* order dated 08.07.2020, the Commission had noted that 5 OPs namely, JKB Gas, Maharashtra Cylinders, Prathima Industries, Southern Cylinders and Supreme Cylinders, had filed their respective objections/suggestions to the Investigation Report. However, Prestige Fabricators, despite opportunity granted to it had not filed its objections/suggestions to the Investigation Report. The Commission *vide* said order decided that there shall be no requirement of hearing of parties in the present case and the hearing scheduled on 15.09.2020 was cancelled with information to all parties. The Commission further decided that an appropriate order shall be passed in the present case in due course based on the existing documents on record.

9. The Commission notes that except for Ginni Industries, the investigation has found a case of contravention of the provisions of the Act, against all other OPs, *viz*, JKB Gas, Maharashtra Cylinders, Prestige Fabricators, Prathima Industries, Southern Cylinders and Supreme Cylinders. The Commission has also perused the objections/suggestions filed by JKB Gas, Maharashtra Cylinders, Prathima Industries, Southern Cylinders and Supreme Cylinders.
10. The Commission notes that the nature and characteristics of the market of manufacture of 14.2 Kg LPG cylinders has been discussed at length in the judgment of the Hon’ble Supreme Court in *Rajasthan Cylinder case (supra)*. The investigation into the nature of the market in the present case has yielded no different results. The Investigation Report in this regard based on an examination of the procurer *viz.* BPCL finds that for finalising the L-1 rate, BPCL negotiates with the bidders and, it is the procurer *i.e.* BPCL which decides the price at which the tender has to be awarded.

11. The Commission notes that 14.2 kg LPG cylinder is procured solely by the OMCs as per the quantity determined by them. The statutory and licensing requirements do not permit the LPG cylinder manufacturers to sell their product to any third party. It is a market largely driven and controlled by the OMCs and the manufacturers have to adhere to the framework and the tender conditions stipulated by OMCs and there is no scope for innovation, efficiency gains or product differentiation and price discrimination.

12. The Commission further notes that the Investigation Report *qua* aforementioned parties has given a finding of price parallelism and that quoting of such identical prices in their respective bids could have been a result of concerted action by the parties. However, the Commission, considering the nature of the market, as disclosed in the Report and in the judgment of the Hon’ble Supreme Court in *Rajasthan Cylinder case (Supra)*, is of the view that the case deserves to be closed at this stage, without delving into the individual conduct of each of the parties.
13. The Secretary is, hereby, directed to inform the parties accordingly.

Sd/-
(Ashok Kumar Gupta)
Chairperson

Sd/-
(Sangeeta Verma)
Member

Sd/-
(Bhagwant Singh Bishnoi)
Member

New Delhi
Date: 20.08.2020