COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2014/08/199)

27.08.2014

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

- Daido Steel Co. Ltd.

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

1. On 1st August, 2014 the Competition Commission of India (hereinafter referred to as the “Commission”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“Act”) given by Daido Steel Co. Ltd. (hereinafter referred to as “Daido” or “Acquirer”).

2. The proposed combination relates to acquisition of 10 per cent equity shares of Sunflag Iron and Steel Company Limited (hereinafter referred to as “Sunflag”) on a fully diluted basis by the Acquirer. The notice was filed pursuant to the Share Subscription Agreement executed between Sunflag and Daido on 9th July, 2014.

3. Daido incorporated under the Japanese law, is a steel manufacturing company which is stated to be inter-alia engaged in the speciality steel segment, materials and magnetic materials segment, automobile and industrial equipment segment, engineering segment, trading and service segment. Sunflag, incorporated in India, is stated to be inter-alia engaged in business of manufacturing special alloy steel, stainless steel, micro alloyed steel, special carbon steel, and bearing steel.

4. As per the information given in the notice, it is stated that Daido and its group companies do not manufacture steel in India. It exports mechanical construction steel and stainless steel to its subsidiary Daido Kogyo India Private Limited for sale in India. It has been stated in the notice that Sunflag entered into a Technical Assistance Agreement with Daido in the year 2010 for advisory support and technical assistance for selection and installation of special steel making equipment and plant expansion. Sunflag entered a non-exclusive license agreement with Daido in the year 2012 to use its technology for manufacture of speciality steel bars for supplying it to an automobile company in India. It has also entered into a license agreement with Daido in the year 2013 for manufacture of different types of speciality steel bars.
5. In view of the foregoing, the overlap between the products and the vertical relationship between the parties is insignificant and would not raise any competition concerns in India. Further, based on the total market value of the steel industry in India, the market shares of Daido and Sunflag are also insignificant.

6. Considering the facts on record and the details provided in the notice given under sub-section (2) of section 6 of the Act and assessment of the proposed combination on the basis of factors stated in sub-section (4) of section 20 of the Act, 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 same under sub-section (1) of section 31 of the Act.

7. This approval is without prejudice to any other legal/statutory obligations as applicable.

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

9. The Secretary is directed to communicate to the Acquirer accordingly.