COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2019/10/700)

28th November, 2019

Notice under Section 6 (2) of the Competition Act, 2002 filed jointly by Mitsubishi Heavy Industries Limited and Mitsubishi-Hitachi Metals Machinery, Inc.

CORAM:

Mr. Ashok Kumar Gupta
Chairperson

Ms. Sangeeta Verma
Member

Mr. Bhagwant Singh Bishnoi
Member

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

1. On 31st October, 2019, Competition Commission of India ("Commission") received a notice under Section 6(2) of the Competition Act, 2002 ("Act"), jointly filed by Mitsubishi Heavy Industries, Limited ("MHI" / "Acquirer 1") and Mitsubishi-Hitachi Metals Machinery, Inc. ("MHMM" / "Acquirer 2"). The notice has been filed pursuant to the execution of a Share Purchase Agreement ("SPA") dated 30th September, 2019 executed between MHMM, Siemens Aktiengesellschaft ("Siemens AG" / "Seller") and Primetals Technologies, Limited ("PT / Target") [Hereinafter, MHI and MHMM are collectively referred to as "Acquirers". The Acquirers and PT are collectively referred to as "Parties"].
2. The Commission, based on the submission, noted that PT is an existing joint venture between MHI and Siemens AG, where MHI (through MHMM) and Siemens AG holds 51% and 49% shares of PT, respectively. Further, MHI, Hitachi Limited (“Hitachi”) and IHI Corporation (“IHI”) holds 56%, 34% and 10% shares of MHMM, respectively.

3. By way of the proposed combination, MHMM proposes to acquire 49% shares of PT, from Siemens AG (Transaction 1). Further, prior to the aforesaid acquisition of shares of PT by MHI, MHMM proposes to issue new shares to MHI, whereby MHI would increase its shareholding in MHMM to 77%, while Hitachi’s current shareholding in MHMM would be reduced to approximately 18% and IHI’s shareholding would be reduced to approximately 5% (Transaction 2) (Hereinafter, Transaction 1 and Transaction 2 are collectively referred to as Proposed Combination).

4. MHI, incorporated in Japan, is engaged in the business of shipbuilding and ocean development, power systems, nuclear energy systems, compressors and compressor trains, turbines, industrial machinery, automotive, engineering, infrastructure and others. In India, MHI provides various products and services, including sales and services of thermal power generation products, logistics handling equipment and technologies, project management services, industrial machinery, manufacturing, sales, and servicing of diesel engines, environmental machinery, air-conditioning systems and after sales services for its products. MHI is active in the metal plant building industry in India only through its stake held (through MHMM) in PT.

5. MHMM, incorporated in Japan, is a holding company within the MHI group and is not engaged in any business activity. It is present in India only through its investment in PT.

6. PT, incorporated in England and Wales, designs and constructs plants for its customers in the metallurgical industry while offering significant project management expertise to determine the technologies packages best suited for each customer.
7. Based on the submissions of the Acquirers, the Commission noted that in the instant case, Siemens AG is exiting and MHI (through MHMM) is increasing its stake in PT and the horizontal overlap pre and post-combination remains the same.

8. Further, based on the submissions of the Acquirers, the Commission noted that MHI is involved in the manufacture and supply of ‘Industrial Pumps’ and ‘Induction Heaters’ which are required by PT in mechanical metal plant building. Hence, there exists a vertical relationship between the Parties. However, the said vertical relationship between the Parties is pre-existing and the market share of PT in the downstream market for mechanical metal plant building is not of such level so as to cause any foreclosure related competition concerns.

9. Considering the facts on record, 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.

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

11. The information provided by the Acquirers shall be treated as confidential in terms of and subject to provisions of Section 57 of the Act.

12. The Secretary is directed to communicate to the Acquirers accordingly.