Notice under sub-section (2) of Section 6 of the Competition Act, 2002 filed by Agarwal Steel Structures (India) Private Limited

CORAM:

Mr. Ashok Chawla
Chairperson

Mr. S. L. Bunker
Member

Mr. Sudhir Mital
Member

Mr. Augustine Peter
Member

Mr. U. C. Nahta
Member

Mr. M. S. Sahoo
Member

Legal Representative of the parties: TRILEGAL

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

1. On 30th June 2015, the Competition Commission of India (‘Commission’) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (‘Act’) filed by Agarwal Steel Structures (India) Private Limited (‘Agarwal’ or ‘Acquirer’). The notice was given pursuant to the execution of Business Transfer Agreement on 31st May 2015 (‘BTA’), between Agarwal and Sujana Towers Limited (‘Sujana’ or ‘Target’).
2. As submitted by the Acquirer, the proposed combination relates to the acquisition of tower business of Sujana by Agarwal on a slump sale basis. The said tower business comprises of designing, manufacturing and commissioning of towers and provision of services related to installation of towers, which may be used for power transmission or telecommunications or for substation structures ("Tower Business"). It has been further submitted that the said Tower Business being acquired by Agarwal is contained in four operation units located in Medak district of Telangana. As a result of the proposed combination, the manufacturing capacity of the Acquirer will increase by 4,00,000 MT per annum.

3. The Acquirer, a company incorporated under the Companies Act, 1956, is engaged in the Tower Business. The Target, a company incorporated under the Companies Act, 1956, is stated to be engaged in the Tower Business. It is also engaged in manufacturing and trading of iron and steel products and steel re-rolling which can serve as the raw material for towers, tower parts and substation structures.

4. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011 (‘Combination Regulations’), vide letter dated 14th July 2015, the Acquirer was required to remove certain gaps in the notice and furnish certain information by 17th July 2015. The Acquirer filed its response on 27th July 2015 after seeking extension of 10 Days. Vide letter dated 31st July 2015, the Acquirer was further required to provide certain information and remove gaps in the notice. The Acquirer filed its response on 17th August 2015, after seeking extension of 12 days.

5. From the submissions made by the Acquirers, it is noted that, post combination, the market share of the Acquirer in the Tower Business in India is not significant. Further, there are number of players present in the Tower Business including players such as BS Ltd, Adhunik Alloys, Jyoti Structures which would provide competitive constraint to the Acquirer.

6. With respect to the vertical relationship between the parties, it has been submitted that the Acquirer is a major supplier of various types of components/parts of tower to the Target. Based on the information on record, it is noted that during the year 2014-15, sales made by Agarwal to Sujana were of nominal amount. Further, the
purchases from Agarwal represented a small portion of the total raw material consumed by Sujana.

7. As aforementioned, post-combination, the market share of Agarwal would not be significant and the vertical links between the parties are also insignificant. Further, there are various other players in the Tower Business in India which would provide competitive constraint to the Acquirer.

8. Considering facts on record, details provided in the notice 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 approves the proposed combination under sub-section (1) of Section 31 of the Act.

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

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