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**COMPETITION COMMISSION OF INDIA**  
(Combination Registration No. C-2018/03/561)

11<sup>th</sup> May, 2018

**Notice under sub-section (2) of Section 6 of the Competition Act, 2002 jointly given by  
AION Investments Private II Limited and JSW Steel Limited**

**CORAM:**

Mr. Devender Kumar Sikri  
Chairperson

Mr. Sudhir Mital  
Member

Mr. Augustine Peter  
Member

Mr. U. C. Nahta  
Member

Mr. G. P. Mittal  
Member

**Legal representatives:** Shardul Amarchand Mangaldas & Co.

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

1. On 12<sup>th</sup> March, 2018, the Competition Commission of India (“**Commission**”) received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 (“**Act**”) jointly given by AION Investments Private II Limited (“**AION**”) and JSW Steel Limited (“**JSW**”). (Hereinafter, AION and JSW are collectively referred to as “**Acquirers**”).
2. The notice was filed pursuant to resolution plan submitted by the Acquirers with the Resolution Professional on 12<sup>th</sup> December, 2017, which was subsequently revised and re-submitted on 1<sup>st</sup> March, 2018.



3. The Consortium of AION and JSW will collectively hold 74.29% of the total equity share capital and management control of Monnet Ispat and Energy Limited (“**Monnet**”) after the insolvency resolution proceedings, initiated under the Insolvency and Bankruptcy Code, 2016 (“**Proposed Combination**”). (Hereinafter, Monnet and JSW are collectively referred to as “**Parties**”). The Proposed Combination involves certain steps including transfer of Monnet’s non-core assets (*i.e.* the assets, and non-current investments, loans and advances of Monnet of a non-core nature) (“**Non-Core Assets**”) to a newly incorporated entity by way of a slump sale. Post the slump sale, Monnet proposes to transfer 100% of equity shares of the said newly incorporated entity containing Non-Core Assets.
4. In terms of the provisions of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (“**Combination Regulations**”), *vide* letter dated 19<sup>th</sup> March, 2018, the Acquirers were required to provide certain information. The Acquirers filed their partial response on 11<sup>th</sup> April, 2018 and complete response on 13<sup>th</sup> April, 2018, after seeking extension of time. The Acquirers also made certain additional submissions on 19<sup>th</sup> March, 2018, 29<sup>th</sup> March, 2018, 4<sup>th</sup> May, 2018, 11<sup>th</sup> May, 2018.
5. AION, having its office in Mauritius, is a special purpose vehicle, wholly owned and controlled by AION Capital Partners Limited (“**ACPL**”). AION is stated to focus on investments in stressed, distressed and over leveraged assets in India. ACPL was established by an affiliate of Apollo Global management LLC (“**Apollo**”) pursuant to a strategic relationship with the ICICI group.
6. JSW, listed on the National Stock Exchange of India Limited (“**NSE**”) and BSE Limited (“**BSE**”), is a flagship company of the JSW group. It is an integrated manufacturer of non-alloyed (carbon) steel, various categories of alloyed steel, *etc.* JSW is also engaged in the mining of iron ore in India. For semi-finished steel, it is stated that JSW has capacity of 18.0 million tonnes per annum (“**MTPA**”) in India.



7. Monnet, listed on the NSE, BSE and the Calcutta Stock Exchange Limited, is engaged in the manufacture and sale of primary steel and sponge iron, steel and ferro-alloys. It is also engaged in the mining of minerals like coal and iron ore in India.

#### **A. Horizontal Overlaps**

8. The Acquirers have submitted that AION, either directly or indirectly through its controlled portfolio companies, is not engaged in the manufacture, production or sale of any steel products in India. Further, ACPL does not hold any investment or exercise any rights in any enterprise engaged in any activity in steel sector in India. With respect to Apollo, it has been submitted that funds affiliated to Apollo have investments in Welspun Corp Ltd, a company which is engaged in the manufacture and sale of welded steel line-pipes. In this regard, based on the submission of the Acquirers, the Commission noted that there appears to be no overlap between the business activities of Welspun Corp Ltd and Monnet. Thus, there does not exist any horizontal overlap between AION / ACPL / Apollo and Monnet.
9. In relation to horizontal overlaps between JSW and Monnet, the Commission, based on the submissions of the Acquirers, observed that activities of the Parties overlap in the manufacture and sale of: (i) Pig Iron, (ii) Sponge Iron, (iii) Semis (specifically Billet/Blooms), and (iv) Long Products – TMT bars.
10. It is noted that technical characteristics, intended use, price levels, *etc.* for each of these products differ from each other. Therefore, the Commission is of the view that each of these product segments may constitute separate relevant product market. In relation to relevant geographic market, it has been submitted that integrated steel producers operate throughout India and whenever steel products are subject to regulation, these regulations are national in character. Therefore, relevant geographic market may be considered to be the entire territory of India. However, the exact definition of relevant market may be left open as the Proposed Combination does not give rise to competition concern irrespective of the manner in which the market is defined.



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11. The Acquirers have submitted the market share data on the basis of installed production capacity, gross production and domestic sales. The Commission has assessed the Proposed Combination on all such parameters.
  
12. *Pig Iron:* For FY 2016-17, the combined market share of the Parties in the product segment Pig Iron, based on installed capacity, was [20-25] percent (*i.e.* JSW [20-25] per cent and Monnet [0-5] per cent). On the other hand, for domestic sales, combined market share of the Parties was [0-5] percent (individual market share of JSW and Monnet was also in the range of [0-5] per cent). Major competitors of the Parties in this product segment are: (a) Tata Steel Limited (“**TSL**”) with a market share of [15-20] per cent based on installed capacity and [0-5] percent based on domestic sales; (b) Bhushan Power & Steel Limited (“**BSL**”) with a market share of [5-10] per cent based on installed capacity and [0-5] percent based on domestic sales; (c) Steel Authority of India Limited (“**SAIL**”) with a market share of [15-20] per cent based on installed capacity and [0-5] percent based on domestic sales; (d) Essar Steel India Limited (“**Essar**”) with a market share of [0-5] per cent based on installed capacity and domestic sales; (e) Rashtriya Ispat Nigam Limited (“**RISPL**”) with a market share of [5-10] percent based on installed capacity and [0-5] percent based on domestic sales. Presence of other integrated steel producers like Bhushan Power and Steel Limited (“**BPSL**”) and Jindal Steel & Power Limited (“**JSPL**”) is also observed.
  
13. *Sponge Iron:* For FY 2016-17, the combined market share of the Parties in the product segment Sponge Iron, based on installed capacity, was [5-10] percent (*i.e.* JSW [5-10] per cent and Monnet [0-5] per cent). On the other hand, for domestic sales, combined market share of the Parties was [0-5] percent (individual market share of JSW and Monnet was also in the range of [0-5] per cent). Major competitors of the Parties in this product segment are: (a) Essar, with a market share of [10-15] per cent based on installed capacity and [0-5] percent based on domestic sales; (b) JSPL, with a market share of [5-10] per cent based on installed capacity and [0-5] percent based on domestic sales. Some of the other major integrated players present in this segment are TSL, BSL, RISPL and BPSL. Further, the Commission noted that various non-integrated or secondary steel producers are also present in this product segment.



14. *Semis (specifically billets and blooms)*: For FY 2016-17, the combined market share of the Parties in the product segment Semis (specifically billets and blooms), based on installed capacity, was [5-10] percent (*i.e.* JSW [5-10] per cent and Monnet [0-5] per cent). On the other hand, for domestic sales, combined market share of the Parties was only [0-5] percent (individual market share of JSW and Monnet was also in the range of [0-5] per cent). Major competitors of the Parties in this product segment are: (a) SAIL, with a market share of [10-15] per cent based on installed capacity and [5-10] percent based on domestic sales; (b) RISPL, with a market share of [5-10] per cent based on installed capacity and domestic sales; (c) JSPL, with a market share of [0-5] per cent based on installed capacity and domestic sales. Further, the Commission noted that various non-integrated or secondary steel producers are also present in this product segment.
15. *TMT Bars*: For FY 2016-17, the combined market share of the Parties in the product segment TMT Bars, based on installed capacity, was [10-15] percent. Further, the combined market share of the Parties based on domestic sales was [5-10] percent. Based on both the parameters, namely, installed capacity and domestic sales, market share of JSW was [5-10] per cent and Monnet had insignificant market share. Major competitors of the Parties in this product segment are: (a) SAIL, with a market share of [5-10] per cent based on installed capacity and domestic sales; (b) RISPL, with a market share of [5-10] per cent based on installed capacity and domestic sales; (c) JSPL, with a market share of [5-10] per cent based on installed capacity and [0-5] percent based on domestic sales. Further, the Commission noted that various non-integrated or secondary steel producers are also present in this product segment.
16. In view of the foregoing, the Commission is of the view that horizontal overlaps resulting from the Proposed Combination are not likely to result in any appreciable adverse effect on competition in any of the segments, as discussed above.

***B. Vertically related markets***

17. With respect to existing vertical relationship, the Commission, based on the submission of the Acquirers noted that there does not exist any vertical relationship between the



Parties. Further, there does not exist vertical relationship between portfolio companies of Apollo (including AION and ACPL) and Monnet. Further, with respect to potential vertical relationship between the Parties, the Commission identified certain markets for competition analysis. However, as already discussed above, each of the above-mentioned markets is characterized by presence of significant competitors. Therefore, the Commission is of the view that post combination, the Parties would not have the ability to foreclose the market for other competitors.

18. Considering facts on record, details provided in the notice given under sub-section (2) of Section 6 of the Act and assessment 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.
19. This order shall stand revoked if, at any time, the information provided by the Acquirers is found to be incorrect.
20. The information provided by the Acquirers is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.
21. The Secretary is directed to communicate to the Acquirers accordingly.