Notice under Section 6(2) of the Competition Act, 2002 jointly filed by Suzuki Motor Corporation and Toyota Motor Corporation

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 15th October, 2019, the Competition Commission of India (Commission) received a notice (Notice) under Section 6(2) of the Competition Act, 2002 (Act), filed by Suzuki Motor Corporation (SMC) and Toyota Motor Corporation (TMC). SMC and TMC together referred to as Parties. The Notice has been given pursuant to the execution of Agreement of Capital Alliance between SMC and TMC on 28th August, 2019. Suzuki Motor Corporation and Toyota Motor Corporation are collectively referred to as Parties.

2. The Proposed Combination envisages acquisition of shareholding of 0.24% by SMC in TMC and the acquisition of shareholding of 4.94% by TMC in SMC without any board seat and any rights including veto or control rights.

3. SMC is a Japanese multinational corporation engaged in the manufacture and sale of automobiles, motorcycles and outboard motors. SMC is present in India for the manufacturing and sale of automobiles and two wheelers through its three subsidiaries i.e. Maruti Suzuki India Limited (Maruti Suzuki), Suzuki Motor Gujarat Private Limited
(Suzuki Gujarat) and Suzuki Motorcycle India Private Limited (Suzuki Motorcycle). Maruti Suzuki and Suzuki Gujarat are engaged in the manufacturing and sale of automobiles, whereas Suzuki Motorcycle is engaged in the manufacturing and sale of two-wheelers.

4. TMC is also a Japanese multinational automotive manufacturer primarily conducting business in automotive industry. TMC also provides services in other fields such as housing, financial services, communications, marine and biotechnology and afforestation. In India, TMC is engaged in the manufacture and sale of automobiles through its subsidiary, Toyota Kirloskar Motor Private Limited (Toyota Kirloskar) and in providing financial services through its subsidiary, Toyota Financial Services India (Toyota Financial). The Company is also engaged in the sale of commercial vehicles through its indirectly held joint venture, Hino Motors Sales India Private Limited (Hino).

5. The Parties have submitted that the Proposed Combination is not likely to alter the competitive landscape in any manner as it relates to the acquisition of only a minority and insignificant shareholding by the Parties in each other, without any right to appoint a director, voting right at board meetings, or any other right including veto or control rights. It has been further stated that the Parties will continue to operate as stiff competitors and there will be no reduction in competition / incentives to compete or removal of a competitor.

6. The Parties have claimed that the automobile industry will take a long time for new technologies such as autonomous driving technologies to be introduced. Through the Proposed Combination, the Parties intend to collaborate in future. However, they have not agreed upon any future collaborations that could occur within next 3-4 years. Thus, the details of potentials cooperation were not made available to the Commission.

7. It is observed the Proposed Combination does not amount to acquisition of control but results in minority shareholding amongst competitors. The Parties have submitted that they will be independent entities even after the Proposed Combination and will continue to act as stiff competitors. In this regard, the Commission notes that mere cross holding
amongst competitors, with a view pursue permissible competitor collaborations, by itself, does not raise any competition concern. However, the approval granted herein cannot be construed as an immunity, in any manner, against any proceeding under, or the application of, the provisions of the Act including Section 3, in respect of any of the conduct of the Parties.

8. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination on the basis of factors stated in Section 20(4) of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have any appreciable adverse effect on competition in India. Therefore, the Commission approves the Proposed Combination under Section 31(1) of the Act.

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

10. The information provided by Parties is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.

11. The Secretary is directed to communicate to the Acquirer, accordingly.