Notice under Section 6(2) of the Competition Act, 2002 jointly filed by Mahindra and Mahindra Limited and Ford 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 9th December, 2019, the Competition Commission of India (Commission) received a notice (Notice) under Section 6(2) of the Competition Act, 2002 (Act), jointly filed by Mahindra and Mahindra Limited (M&M) and Ford Motor Corporation (FMC) (Hereinafter M&M and FMC are collectively referred to as Parties). The Notice was given pursuant to the execution of a business transfer agreement (BTA) and a share subscription agreement inter alia amongst M&M, FMC, Ford Motor International Holdings Limited (FMIHL), Ford India Private Limited (FIPL) and Ardour Automotive Private Limited (AAPL), on 1st October 2019.

2. The Commission vide its letter dated 2nd January, 2020 and 22nd January, 2020, issued under Regulation 14(3) of the Competition Commission of India (Procedure in regard to transaction of business relating to combinations) Regulations, 2011, required the
Parties to remove defects in the Notice and furnish certain information. In response, the Parties filed their submissions on 13th January, 2020 and 28th January, 2020, respectively.

3. The Proposed Combination envisages formation of a joint venture (JV) between M&M and FMC and the transfer of the automotive business of FIPL to the JV. As per the BTA, the business of FIPL, other than certain assets relating to its powertrain business, will be transferred to AAPL, on a slump sale basis. Pursuant to the Proposed Combination, M&M would hold 51% of the shareholding in AAPL and the remaining 49% would be held by FMC through FMHIL, a wholly owned subsidiary of FMC.

4. It has been submitted that post the Proposed Combination, M&M will integrate, manage and operate AAPL as its fourth business vertical i.e. in addition to its existing three verticals of automotive, farm equipment and agricultural businesses.

5. M&M incorporated in India, is the flagship company of Mahindra Group. It is engaged in the business of manufacture and supply of passenger vehicles, farm and construction equipment.

6. FMC is an American multi-national automaker. In India, FMC is engaged in the business of manufacturing and supply of passenger vehicles through its wholly owned subsidiary viz. FIPL. FMC is also present in India through its other subsidiaries in other sectors such as financing and mobility solutions.

7. It is observed that both M&M and FIPL are engaged in manufacture and supply of passenger vehicles and automobile components in India. Passenger vehicles can be broadly classified into passenger cars and utility vehicles. Each of this category can be further sub-segmented based on size, dimension, price and utility of the vehicles. For instance, SIAM classifies passenger cars into eight categories viz. mini, micro, compact, super-compact, mid-size, executive, premium and exotics and the utility vehicles are classified into five sub categories viz. UV 1 to UV 5. Although
the basis of such classification may not mirror the factors underpinning delineation of relevant market under the Act, it could still be used as a reasonable basis for a preliminary appreciation of the market position of the parties.

8. It is observed that the broader market for manufacture and supply of passenger vehicles has the presence of the Parties and other known players such as Maruti Suzuki, Hyundai, Honda, Tata, Toyota, Nissan, etc. and the incremental market share as a result of the Proposed Combination is not significant. Thus, the Proposed Combination is not likely to raise competition concern at the industry level. At a narrower level, M&M has negligible presence in the passenger car business and the overlap between the Parties is limited to utility vehicles, more particularly the UV 1 segment. However, the business for utility vehicles including UV 1 segment is characterised by the presence of formidable players and a few entrants are also coming up as significant competitors. Further, the features of models offered by M&M that constitute a majority of its sales in UV 1 segment do not appear to be close substitutes to that offered by FMC. Taking into consideration all these above factors, the Proposed Combination is not likely to result in any appreciable adverse effect on competition.

9. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on 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. The Commission however notes that the scope of non-compete covenants, as envisaged in transaction documents/agreements, is not ancillary to the Proposed Combination.

10. This order shall stand revoked if, at any time, information provided by Parties is found to be incorrect.
11. The information provided by Parties is confidential at this stage, in terms of and subject to the provisions of Section 57 of the Act.

12. The Secretary is directed to communicate to the Parties, accordingly.