Notice under Section 6 (2) of the Competition Act, 2002 (Act) filed by Hitachi Limited

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 6th February, 2020, the Competition Commission of India (Commission) received a notice (Notice) under Section 6(2) of the Competition Act, 2002 (Act), filed by Hitachi Ltd. (Hitachi/ Acquirer). The Notice has been given pursuant to the execution of the Share Purchase Agreement (SPA) between Hitachi and ABB Ltd. (ABB) on 17th December, 2018.


3. The Proposed Combination envisages acquisition of 80.1% of the issued share capital of ABB Management Holding AG (ABB Management) by Hitachi. In terms of the SPA, Hitachi will also have an option to acquire the remaining 19.9% of the share
capital of ABB Management, within three years after closing. It has been stated in the Notice that ABB Management would hold the entire power grid business of ABB (Target Business).

4. Hitachi is headquartered in Japan. Its group is active in a variety of business segments including IT, energy, industry, mobility and smart-life solutions. ABB is a Swiss-based company and is the ultimate parent of its group companies that are active in businesses relating to electrification, industrial automation, motion, robotics & discrete automation and the Target Business.

5. The Target Business involves development, engineering, manufacturing and sale of products, systems and projects in power grids sector. Target Business is composed of the following four lines of business: (a) High voltage (HV) products - design, manufacture and sale of HV products (such as HV switchgear, HV circuit breakers, HV disconnectors, HV instrument transformers, HV surge arresters as well as HV capacitors, harmonic filters, and other reactive power compensation products (RPC)), certain medium and low voltage (LV) products and related services; (b) transformers - the design, manufacture and sale of different types of transformers, components and related services; (c) grid automation - the design, manufacture and sale of substation automation and network control products, systems and services and enterprise application software; and (d) grid integration – the design, manufacture and sale of substations (mainly HV), HV direct current stations, flexible alternating current systems, semiconductors and related services and includes charging infrastructure for vehicles such as buses/trams and power consulting services.

6. Globally, both Hitachi and Target Business are active in supply of electrical equipment for use in transmission and distribution of electricity within power systems. These include HV Products, transformers, grid automation and grid integration products/solutions. In India, the activities of Hitachi and the Target Business are similar in respect of: (a) power semiconductors (including high power Semiconductors) and more specifically, discretes and insulated gate-bipolar transistor modules; and (b) LV RPC products and more specifically, LV capacitors.
7. Hitachi Chemical Company Limited (Hitachi Chemical), a wholly owned subsidiary of Hitachi, sells LV capacitors in India. In December 2019, Hitachi has agreed to sell its entire shareholding in Hitachi Chemical to Showa Denko K.K. Following such transfer, Hitachi will no longer have control over the LV capacitors business of Hitachi Chemical and thus, the overlap in LV RPC products will come to an end. Further, the combined market share of the parties and incremental markets share as a result of the proposed combination in both the overlapping business segments are not significant. Some of the activities of the Target Business and Hitachi exhibit vertical relationship. However, the market position of parties either in the upstream or downstream market and the structure of the concerned businesses does not raise any foreclosure concern.

8. Considering the material on record including the details provided in the Notice and the assessment of the Proposed Combination based on the 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, the information provided by Acquirer is found to be incorrect.

10. The information provided by Acquirer 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.